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1959
no. 3

HOUSE OF COMMONS

Second Session—Twenty-fourth Parliament

Government
Publications

1959

STANDING COMMITTEE

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RAILWAYS, CANALS AND
TELEGRAPH LINES

APR 21 1959
Chairman: GORDON K. FRASER, ESQ.

Vice-Chairman: MARVIN W. HOWE, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

Bill, C-38, An Act to make Provision for the Reduction of Certain
Class and Commodity Rates on Freight Traffic.
Including Fourth Report to the House

THURSDAY, APRIL 16, 1959

FRIDAY, APRIL 17, 1959

WITNESSES:

Messrs. L. J. Knowles, Commissioner, Board of Transport Commissioners for Canada; A. S. Kirk, Director, Traffic Branch, Board of Transport Commissioners; G. A. Scott, Director, Economics Policy Branch, Department of Transport; J. Guest, representing the Government of British Columbia; E. A. Charnock and H. Styffe, representing the Joint Transportation Committee of the Fort William and Port Arthur Chambers of Commerce; H. A. Mann, Executive Manager, The Maritimes Transportation Commission; J. J. Frawley, Counsel for the Government of Alberta; J. Magee, Executive Secretary, Canadian Trucking Associations Inc.; A. Mauro, representing the Government of Manitoba; and V. Stechishin, Manager, Manitoba Transportation Commission.

THE QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1959

STANDING COMMITTEE
ON
RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: G. K. Fraser, Esq.

Vice-Chairman: M. W. Howe, Esq.
and
Messrs.

Allmark,	Drysdale,	Michaud,
Asselin,	Fisher,	Monteith (Verdun),
Badanai,	Fréchette,	Nielsen,
Baldwin,	Grills,	Nixon,
Batten,	Hardie,	Pascoe,
Bell (St. John-Albert),	Horner (Acadia),	Payne,
Bigg,	Horner (Jasper-Edson),	Phillips,
Bourbonnais,	Howard,	Racine,
Bourget,	Johnson,	Richard (Kamouraska),
Brassard (Lapointe),	Keays,	Rynard,
Browne (Vancouver- Kingsway),	Kennedy,	Small,
Brunson,	MacInnis,	Smallwood,
Cadieu,	MacLean (Winnipeg North Centre),	Smith (Calgary South),
Campbell (Stormont),	Martin (Essex East),	Smith (Lincoln),
Chevrier,	Martini,	Smith (Simcoe North),
Chown,	McBain,	Tassé,
Creaghan,	McDonald (Hamilton South),	Thompson,
Crouse,	McMillan,	Tucker,
Dupuis,	McPhillips,	Webster,
		Wratten.

J. E. O'Connor,
Clerk of the Committee.

REPORT TO THE HOUSE

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

FOURTH REPORT

Your Committee has considered the following Bill and has agreed to report it without amendment:

Bill C-38, On Act to make Provision for the Reduction of Certain Class and Commodity Rates on Freight Traffic.

Your Committee recommends that the words "and the traffic in respect of which" appearing in line 27 of Section 2 of Clause 3 be examined to further determine their effect on the application of the provisions of the Bill. A copy of the Minutes of Proceedings and Evidence in relation thereto is appended.

Respectfully submitted,

W. M. HOWE,
Vice-Chairman.

MINUTES OF PROCEEDINGS

THURSDAY, April 16, 1959.

The Standing Committee on Railways, Canals and Telegraph Lines met at 9.50 a.m. this day. The Vice-Chairman, Mr. Howe, presided.

Members present: Messrs. Asselin, Badanai, Bell (*St. John-Albert*), Browne (*Vancouver-Kingsway*), Campbell (*Stormont*), Chown, Creaghan, Crouse, Drysdale, Fisher, Grills, Hardie, Horner (*Acadia*), Horner (*Jasper-Edson*), Howe, Kennedy, MacLean (*Winnipeg North Centre*), McMillan, McPhillips, Monteith (*Verdun*), Nixon, Pascoe, Phillips, Smallwood, Smith (*Calgary South*), Tucker and Wratten. (27)

In attendance: Messrs. R. Kerr, Chief Commissioner, Board of Transport Commissioners for Canada; L. J. Knowles, Commissioner; A. S. Kirk, Director, Traffic Branch, J. Magee, Executive Secretary, Canadian Trucking Associations Inc.; J. Guest, representative of the Government of British Columbia; E. A. Charnock and H. Styffe, representing the Joint Transportation Committee of the Fort William and Port Arthur Chambers of Commerce; A. Mauro, representing the Government of the Province of Manitoba; and V. Stechishin, Manager, Manitoba Transportation Commission.

The Vice-Chairman observed the presence of quorum, and on Clause I of the bill called Mr. Guest who was further questioned.

Messrs. Charnock and Styffe were introduced and read a brief on behalf of the Joint Transportation Committee of the Fort William and Port Arthur Chambers of Commerce.

Following their questioning the Committee recessed at 11.15 a.m.

At 11.25 a.m. Mr. Mauro was called and assisted by Mr. Stechishin presented the views of the Province of Manitoba.

Questioning of Messrs. Mauro and Stechishin completed the Committee adjourned at 12.15 p.m. to meet again at 3.30 p.m. this day.

AFTERNOON SITTING

The Committee met at 3.30 p.m. this day. The Vice-Chairman, Mr. Howe, presided.

Members present: Messrs. Asselin, Badanai, Bell (*St. John-Albert*), Browne (*Vancouver-Kingsway*), Creaghan, Crouse, Drysdale, Grills, Horner (*Acadia*), Horner (*Jasper-Edson*), Howe, Johnson, Keays, Kennedy, MacInnis, McPhillips, Monteith (*Verdun*), Nixon, Pascoe, Phillips, Smallwood and Tucker. (22)

In attendance: In addition to those persons listed in attendance this morning, Messrs. H. H. Griffin, Assistant Chief Commissioner, Board of Transport Commissioners for Canada; H. A. Mann, Executive Manager, The Maritimes Transportation Commission; H. J. Darling, Chief, Economics Division, Department of Transport; and J. J. Frawley, Counsel for the Government of the Province of Alberta.

Mr. Mann was introduced and on behalf of the Maritime Transportation Commission stated the position of the maritime provinces with regard to the bill. During the course of his presentation he introduced two sets of tables and it was agreed that they be printed as appendices to today's record. (See Appendix "A" and "B")

Following Mr. Mann's examination Mr. Darling was questioned concerning the interdepartmental Committee on transportation.

Mr. Frawley was called and presented the views of the Government of the Province of Alberta with respect to the measure, and criticized the presentation of the Canadian Trucking Associations Inc.

Mr. Frawley's presentation concluded, the Committee adjourned at 6.00 p.m. to meet again at 9.00 a.m. Friday, April 17, 1959.

MINUTES OF PROCEEDINGS

FRIDAY, April 17, 1959.

The Standing Committee on Railways, Canals and Telegraph Lines met at 9.15 a.m. this day. The Vice-Chairman, Mr. Howe, presided.

Members present: Messrs. Allmark, Badanai, Baldwin, Bell (*St. John-Albert*), Browne (*Vancouver-Kingsway*), Chevrier, Chown, Creaghan, Crouse, Drysdale, Horner (*Acadia*), Horner (*Jasper-Edson*), Howe, Kennedy, Mc-Phillips, Monteith (*Verdun*), Pascoe, Payne, Phillips, Smallwood, Smith (*Calgary South*) Tassé and Tucker. (23)

In attendance: Messrs. R. Kerr, Chief Commissioner, Board of Transport Commissioners for Canada; Mr. L. J. Knowles, Commissioner; A. S. Kirk, Director, Traffic Branch, G. A. Scott, Director, Economics Policy Branch, Department of Transport; G. Blair, Counsel for Great Western Coal Co. Ltd., and Manitoba and Saskatchewan Coal Co. Ltd.; J. Guest, representative of the Government of British Columbia; H. A. Mann, Executive Manager, The Maritimes Transportation Commission; H. J. Darling, Chief, Economics Division, Department of Transport; V. Stechishin, Manager, Manitoba Transportation Commission; A. Mauro, representing the Government of the Province of Manitoba; and J. Magee, Executive Secretary, Canadian Trucking Associations Inc.

The Vice-Chairman observed the presence of quorum and called Mr. Magee who answered a question asked at a previous meeting.

Clauses 1 and 2 were called and adopted.

On Clause 3 Mr. Chevrier moved, seconded Mr. Badanai.

That the words "increased by 17 per cent" in lines 18 and 19 be deleted.

The motion was negatived—yeas, 2; nays, 12.

Following further questionning of Mr. Knowles, Mr. Chevrier, moved, seconded by Mr. Badanai,

That the following words be added to line 23 of Section 2 of Clause 3:

"provided the reduction thereby effected shall not be less than 7 per cent."

The motion was negatived—yeas, 2; nays, 16.

It was agreed to stand Clause 3 of the Bill until a representative of the Department of Transport could be called to explain the effect of Section 2 of Clause 3.

Clauses 4 to 7 inclusive and the Title were called and adopted.

At 9.45 a.m. the Committee recessed.

At 9.50 a.m. the Committee reverted to consideration of Clause 3, and Messrs. Scott, Knowles, Kirk and Mann were further questioned.

Clause 3 was called and carried on the understanding that the Committees Report to the House will contain the following recommendation:

"Your Committee recommends that the words 'and the traffic in respect of which' appearing in line 27 of Section 2 of Clause 3 be examined to further determine their effect on the application of the provisions of the bill."

The Bill was adopted and the Vice-Chairman instructed to report the Bill without amendment but with the aforementioned recommendation.

At 10.15 a.m. the Committee adjourned to the call of the Chair.

J. E. O'Connor,
Clerk of the Committee.

EVIDENCE

THURSDAY, April 16, 1959.
9.30 a.m.

The VICE-CHAIRMAN (Mr. Howe): Gentlemen, I see we have a quorum. We are still on clause 1 of the bill. We are still asking questions of Mr. Guest who presented a brief from British Columbia. Are there any more questions for Mr. Guest?

Mr. BROWN (Vancouver-Kingsway): Mr. Guest, on this tapering of freight rates that we were discussing last night the question arose that while it may be a useful means of solving the situation, that there did not seem to be any practical way of applying it. Has your committee given any consideration to that or have you any suggestions to make as to how it could be applied?

Mr. JACK GUEST (*Economist representing the government of British Columbia*): There are a number of ways of applying an increase in rates. I think the same method can be applied in reverse—in reducing rates. I think these suggestions have been made from time to time. There is one suggestion that is being discussed here of increasing rates partially by cents per hundred-weight and partially by a percentage increase of the rate.

Similarly, a reduction in rates could be brought about in the same way. However, it is my opinion that a rate can be reduced to give a long-haul shipper a greater reduction than a short-haul shipper by graduating the decrease. There are problems, I realize,—Mr. Knowles has pointed out some problems. There are problems with everything we do, but if we are going to give the long-haul shipper—who has suffered unduly because of percentage increases—any assistance, that is what we have to do and we have to grapple with these problems and find the solutions for them.

All I can say is that a graduated decrease based on mileage blocks seems to us in British Columbia, the simplest way of effecting a decrease that will give long-haul shippers some additional relief.

Mr. BROWNE (Vancouver-Kingsway): In other words then, Mr. Guest, you are suggesting there should be partially a cents per hundredweight decrease and partially a percentage increase?

Mr. GUEST: No, I am not suggesting that, Mr. Browne. What I am suggesting is this, that shipments up to—take any arbitrary figure but just for the sake of explanation, shipments under 250 miles will get a reduction of so much per cent—be reduced by a greater percentage, from 500 to 1,000—it does not matter what blocks you take, that would have to be worked out, but the object of the graduated reduction would be to give assistance to the long-haul shippers who have suffered competitively by virtue of the horizontal increases.

The CHAIRMAN: Are there any other questions?

Mr. FISHER: Have you any idea, Mr. Guest, how this 17 per cent increase has affected the shipments into eastern Canadian markets of fir plywood and dressed spruce lumber?

Mr. GUEST: On fir plywood there was no increase in rates. On spruce lumber there has been some increase in rates. Most of the spruce comes from northern British Columbia and a lot of it off the Pacific Great Eastern Railway, for example, the Prince George area. The arbitraries which apply on shipments from the Pacific Great Eastern Railway took that full 17 per cent, and

I assume that they will get the benefit of any reduction. But there has been an increase in spruce, that is, if it is shipped from originating points on the Pacific Great Eastern Railway.

Mr. FISHER: What about some spruce, say, from Kamloops or in that area?

Mr. GUEST: No increase, not to eastern Canada.

Mr. FISHER: Have you any indication how this increase has affected the lumber interests in these shipments to the eastern Canadian market?

Mr. GUEST: I do not think it has had any effect except, as I said, from points on the Pacific Great Eastern Railway. The rate has not changed, there was no increase in lumber rates to eastern Canada, lumber or related rates.

Mr. FISHER: Is it not possible that if your competitors in plywood and in dressed spruce lumber are to the east, here in Ontario, that in effect the freight rate boost may be to your advantage since the international rate has kept the increase from going on most of your wood products and yet these producers in Ontario are bearing the 17 per cent?

Mr. GUEST: There may be some slight advantage, but the forces of competition will compel the railways in Ontario to meet the competitive rate.

Mr. BELL (*Saint John-Albert*): Mr. Guest, would it be fair to say that your problems and your proposals are really for the future and separate from this bill which merely deals with horizontal increases and tries to hold them down in a horizontal way?

Mr. GUEST: I think you are partially correct, because one of the major problems confronting the royal commission will be the question of horizontal increases; but my proposal, or the proposal of British Columbia, is very pertinent to the present bill because it is possible to reduce the rate. There are problems in reducing rates by graduating the percentages on a mileage basis, but it can be done. There are big problems and we are certainly willing to concede that there are problems, but it can be done. Therefore, our submission, we consider, is extremely relevant to Bill C-38.

The VICE-CHAIRMAN: Any further questions, gentlemen?

If not, I am sure we appreciate the brief that Mr. Guest has presented and the manner in which he has answered all your questions as capably as he has.

The next witnesses are Mr. Robert Styffe from Port Arthur and Mr. E. G. Charnock from Fort William, and you have the brief which they are presenting this morning.

Mr. E. G. CHARNOCK (*Chairman, Joint Transportation Commission, Port Arthur and Fort William*): Mr. Chairman and gentlemen, the story goes that there were two men who considered that they knew all there was to know about freight rates. Unfortunately, one of them went into the nut factory to get a brain for his cranium and the other one went into the bug house with no brain at all. I do not aspire to be in either class, if I can help it. Therefore, I am not setting myself up as any expert but I have been interested in transportation for many, many years; also, in the situation at the head of the lakes, on the Canadian side.

For those who are not too conversant with our situation may I read this to you?

The lakehead cities of Fort William and Port Arthur are situated in what has come to be called northwestern Ontario. We are also becoming known more and more as the Canadian lakehead.

In railway mileage terms these cities are 419 miles from Winnipeg, 551 miles from Sudbury, and 810 miles from Toronto. The huge region, over 225,000 square miles in area, is crossed by the transcontinental line of the C.N.R. in its north-centre, by the C.P.R. in its south-centre, and by a line of

the C.N.R. along its southern edge, west of the lakehead. In freight rate terms, the western region begins at Fort William and at Armstrong to the north on the C.N.R.

Traditionally the lakehead cities have been entre-pots for the west. Aside from this transportation aspect of our economy, the region's main industries and activities centre on the forests—pulpwood, lumber, plywood, paper, and poles—and the mines—largely iron ore and base metals. As yet our highways are imperfectly developed. We have only one through highway, and it is not entirely a first-class road.

May I add a little to this brief? In converting that paragraph into the matter of tonnage we handle through the two lake ports which are considered often as one, approximately 12 million tons in a season. Of that about 600,000 tons is packaged and general cargo. Of that 600,000 tons 90 per cent is for the account of the west. That means Winnipeg and the western provinces. Therefore, the handling of that traffic is an important item with us.

Before leaving that, I am wondering if Mr. Blair would confer with me after this meeting in connection with coal because the conditions on the Great Lakes to start with this season, with a working depth of only 21.9 feet, means that they could use a light-weight fuel if the b.t.u. factor were good enough. It might work in.

The case of northwestern Ontario on freight rates stems from the effect of horizontal increases since 1948. These increases have amounted to 157 per cent; and due to their cumulative effect they have worked out to the marked disadvantage of our territory where long distances make for high freight costs, inordinately increased by the percentage basis.

Other speakers have mentioned the disadvantage to the long haul in connection with these horizontal increases. For anybody who wants to work that out fast, let him take three consecutive increases of 20 per cent and apply them to rates for \$1 and \$2. Whereas you have a spread of \$1 in the first instance your earlier rate becomes \$1.73, your \$2 rate becomes \$3.46 with a factor of \$1.73. That difference of 73 cents is enough translated into actual money, regardless of percentages, to be very disturbing to certain smaller industries at least, and a good many big ones.

Southern and eastern Ontario, in contrast, have a larger percentage of short hauls. Consequently, their lower freight costs—in relation to our own—are helped rather than hurt by the succession of horizontal increases. Hence, the provincial government, the vast majority of whose people and interests are concentrated in the south, has not deemed it necessary to protest the increases. I think there will be an improvement along those lines.

In testimony related to the equalization of class rates, our region's representatives showed that our situation in freight rates was more closely related to that of Manitoba than to southern and eastern Ontario. Thus Manitoba's protests could have related to our territory, though we are geographically part of Ontario. In effect, the rate structure and the economic structure are not in agreement. We have gathered documentary evidence from many varied interests in our territory that would show their financial situation has been strained to the utmost. Business has been lost because customers have not been able to absorb the increased costs engendered by freight rate increases. Further increases spell disaster.

In order to back that up with what you might call the outward and visible demonstration of the inward and devilish situation, I have with me Mr. Styffe who is operating the Oscar Styffe Lumber Company in Port Arthur and he speaks not only for Port Arthur, but for other concerns of a like nature in our district.

Therefore, we are strongly in favour of this \$20 million subsidy if it is applied fairly across the board.

We feel however, that this temporary or interim adjustment only partially solves the problem of providing the carriers with funds to meet the stated requirements of their employees. Its net result—a 10 per cent increase—will enable the railways to realize only a portion of their needs, after considering the items to which the increase—and decrease—does not apply, viz: agreed charges, "piggy-back", competitive commodity tariffs, international traffic and so on, and also considering the fact that increases have each allowed the truckers to compete in classes of freight, further and further down the scale.

There was a time when truckers started about 30 years ago, when they could only compete in the first few classes. As rates have gone up they naturally can compete in lower classes because it costs so much to run a truck a certain distance, and the truckers' costs, I am not prepared to discuss. However, they become more and more adjusted to the lower class rates as the railway rates go up.

The rate structure as a whole is very sensitive to changes, and often a seemingly realistic adjustment can boomerang in the most unexpected place and manner. For example, removal of the mountain differential looked good to British Columbia but it cancelled some reasonable commodity rates on their lumber to the Canadian lakehead and raised the rate at once by 19 cents per hundred pounds. This was the start of conditions bitterly complained about by our industry today.

Mr. Styffe will give you some of those.

Our lumber and wood operators have good cause to prove the present rate structure is out of line with the possible development of their business and the community.

Rate increases do not necessarily increase the value of the service to those who have to pay them. The value of transportation services depends, of course, upon the sales value of your goods at destination and you cannot consider freight rates without considering supply and demand, and other economic factors. Instead, they unfairly add to costs of products, creating an artificial factor in merchandising competition.

If the carriers do not realize sufficient earnings to meet operating and administrative requirements, why not provide funds for them without putting them through this complicated rate structure.

I know somebody is going to say that is foolish, it is impossible, but during some 50 years of watching the transportation game I have seen many impossible things come into existence. Perhaps some of the difficulty that might be encountered in working that out would be resolved by a reference to the deficit occasioned in many branches of the national harbours board. In hardly any case is the burden of the increase evenly distributed.

The small man now, and the long distance operator, is definitely paying a larger proportion of freight costs than his neighbour, who may be located in another district and is getting advantage of agreed charges, and so on. If such a simple procedure out of the present difficulty is impractical, then there should be a strong argument for the 100 pound basis, not the percentage basis being used.

That is in horizontal increases. An outline of such a procedure has already been submitted by our Manitoba friends and the Board of Transport Commissioners and I agree with them, except that I would perhaps go a little farther than they have gone. If the increases in that case in rates for very short distance hauls were excessive, it could even be considered leaving that short distance haul to the truckers, who already pretty well have it.

We support the subsidy. We trust it can be applied fairly, considering the anomalies which exist in the rate structure as a whole.

That, gentlemen, is our case and all we want is a square deal. We are not asking for any fringe benefits, but our situation is perhaps unique in that we are in Ontario, but in transportation matters we are far more closely associated with Manitoba.

Yesterday I noticed that somebody made reference to the costs of increases and so on being stood by the west. I want to say that that increase has also been stood by our northwestern Ontario section. We have plenty of evidence, —I will be glad to show it to anybody here—that definitely proves it.

I was wondering when listening to evidence yesterday, as to whether the truckers' rates were based on costs and what regulating authority they had to enforce the charging on that basis, if that was what was used, because I thought that that question was relevant to a good many of the remarks that were made.

In connection with Mr. Guest's statement, when we were equalizing the class rates, we went into the subject in connection with distribution of subsidy and I personally cannot see any reason why all things should not be settled on the same basis as the charge. That is, British Columbia enjoyed the benefits of tapering and probably that should also be considered in this.

May I call on Mr. Styffe for a few minutes to give you the realistic side of what I have said to you about our rate structure being out of line with the economic structure of the business at the lakehead.

Mr. ROBERT STYFFE (President, Oscar Styffe Lumber Company Limited, Port Arthur): Mr. Chairman and gentlemen, I must say at the outset that perhaps by way of humour I have heard myself called "S-t-i-f-e—" and "S-t-i-f-f". But for your information it is "S-t-i-f-f"—stiff in name only so I hope anything I have to say will be in the light of the fact that I am "stiff" in name only.

Mr. Charnock on our behalf, I believe, has placed the position of the lakehead area quite clearly in the brief which he has just read and it is not my intention to give any longwinded discourse on what he has said. He is an expert on traffic matters; as far as I am concerned I only appreciate the effect of freight rates because of the effect they have had on our own business, and their effect on other business, in the northwestern area in general.

I think, as most of you realize from what Mr. Charnock has said, northwestern Ontario is a great producer of raw materials, whether it be pulpwood products or mineral products. The rail movement or any other type of movement of those products constitutes in itself an industry upon which we are dependent and we naturally, therefore, are very sensitive to any costs which create a drop in the movement of these pulp products which will also mean a drop in the sale of the products, or a drop in the processing of the volume of this movement. We have suffered quite severely and perhaps the proof would be that the northwestern Ontario area, during the past ten months with the unemployment problem, was probably hit as hard as any other part of Canada.

It would be folly for us to suggest that railway rates are the only reason for our finding ourselves in a rather difficult position. The railway rates have been a contributing factor because, as I have just said, we do depend a lot on the movement of these raw products, whether it be to the processing plants or out of the territory by way of export, either within Canada or outside Canada.

I wanted to give just one or two small concrete examples of what actually has happened. In our own business we are at a location where prior to 1948 we had a freight rate per hundred pounds of $8\frac{1}{2}$ cents. At the time we were paying on 4500 pounds but since it would—this was jackpine pulpwood, by the way—shipped it at an agreed weight of 4300. I will use the 4300 in this simple example I wish to give.

At the $8\frac{1}{2}$ cents rate on 4300 pounds prior to 1948, the cost of movement of wood in this one particular example that I am giving you, which was a distance of approximately 175 miles, the cost per cord in dollars and cents was \$3.65

prior to the last 17 per cent increase. The rate then became 19 cents per hundred with the increases which have taken place since 1948, and prior to the last 17 per cent increase.

That 19 cents put the cost per cord for the movement of this wood in the particular area to which I refer, up to \$8.17. Anyone who knows anything about the economy in so far as a pulp produce such as pulpwood is concerned, realizes that an increase of almost \$5 per cord in transportation alone, and only one segment of the transportation, is an extremely serious matter.

Last December 1 the 17 per cent increase became effective. The rate then went to 22 cents and the rate per cord in this particular instance then became \$9.46. So from 1946 to 1958 the increase was almost \$6 per cord. But in percentage figures the thing which particularly disturbs us is that the last 17 per cent increase was in effect a three cents per hundred increase. You say it is only 17 per cent but if you refer back to the original rate of 8½ cents of not too many years prior to that, and if you use that three cents as an increase over that 8½ cents rate, the 17 per cent rate increase really means 35 per cent on the original basis rate which we were paying not too many years before.

When you express it in those terms it is rather alarming, because I am sure that even in 1946 when things were good, things were pretty buoyant and booming. If it were to be suggested than that there was going to be a 35 per cent rate increase, most of us would have been really alarmed.

What has happened to our selling price? The selling price actually in the last two or three years has decreased and in our case, as any other business might have to do, we have taken a very careful look at the situation and the only way we could exist was to effect whatever economies we could in our own operations. We had to retain some volume and we, by perhaps more efficiency of operation, have been able to exist. But in this particular instance where we were operating on this long haul the curve of production went up to about its peak, in about 1952, and has steadily dropped down so that now we have a situation where the railroad and ourselves enjoy what might be considered a higher rate. But we are unable to do any business at that rate.

I see in that what seems to me to be a bit of moral teaching. I think the railways are losing good business. They need certain basic volume to keep operating, and it seems to me we have gone beyond the point of no return. But somewhere along the line somehow, it seems to me it is necessary that we do something about maintaining the volume moving over lines, in the sense of the railways. They have their problems, but when you get to the point where the rate is so high that business is lost, then we need to take another sound look at these raw materials particularly, and do something about the rate that retains the volume so necessary to maintaining basic costs in any business.

Those are just a few remarks I wished to make in relation to that. We had one other small example in that area, where we had a small plywood plant which started to operate in the Nipigon area and they are making plywood out of a low grade species of pulp. This is a product that has a sale on the low end of the market. They are to some extent, competing with low grades of west coast plywood. The 17 per cent increase, as you have heard expressed earlier, does not apply to the west coast plywood. But that 17 per cent increase does apply to this small new industry which we have located in our territory. From the information we have received from the owner of that plant, he is now at his wit's end to know how he is going to meet that competition with a product that is already low in price, and which competes more in the field of base flooring, roof sheathing and that sort of thing.

This 17 per cent increase to that type of business is a very serious matter, and I suggest too that the volume movement of his product to the east is a good bit of business to the railways.

These are two examples of the effect of these cumulative increases. We state again that we realize the railways are, like anyone else entitled to increases to offset the costs of operation. However, it appears to us that a good look needs to be had, at the way these increases are being applied because there are fewer and fewer of us who can bear the increases, particularly when so much of the rail rates are paid either on agreed rates or competitive rates. By way of a neophyte's suggestion—I am no expert on rail rates at all but I do know their effect in a business way and I am not so sure that the time has not come when perhaps—whether they are agreed rates, competitive rates, Crowsnest Pass or anything else—if we all take a small part of any subsequent increase, perhaps we can all live with them.

The CHAIRMAN: Thank you, Mr. Charnock and Mr. Styffe.

Gentlemen, have you any questions to ask these two witnesses?

Mr. HORNER (*Jasper-Edson*): These rates that you quoted on pulpwood, are those agreed charge rates?

Mr. STYFFE: No, that is the straight rate, and my point was that in that particular instance there is no competition. I might point out, as Mr. Charnock did, we have only one main thoroughfare, we do not have sufficient roads yet where trucks can compete, to give us the argument that there is reasonable competition and thereby get a competitive rate or agreed rate. We are paying the straight rate, but that is an example of what is happening to these people who cannot get either an agreed rate or a competitive rate.

Mr. CHOWN: Mr. Styffe, I understand in your particular industry it is a very simple thing to make optimum use of freight cars, because pulp is relatively clean and easy to pack in freight cars. Do you feel that the railways are making the maximum effort to sell their service and make full use of their empty freight car storage capacity, which is available from time to time on the line, to a degree where they can give you some concessions for giving them volume, in terms of your particular industry?

Mr. STYFFE: They have proved—I would say the railroads have gained some benefit from the pulpwood movement because our pulpwood movement takes place largely in the winter time, and mostly with gondola cars in our particular area. We do not handle too much box car movement in that area—gondolas which otherwise perhaps are busy in gravel or some other types of material, like coal, during the summer months; and I think the pulpwood has worked to their advantage in that they have been able to keep otherwise idle gondola cars busy during the year.

In regard to clean handling, something was mentioned the other day in connection with grain rates. That is, the grain people said there was not so much by way of storage facilities. We are in much the same position because no railway is required to put up any other facilities than to put in the cars on the spur. Most of the pulp and paper companies and contractors move very quickly, the same day. Unloading is also quite rapid, so we do not have to hold up cars at the other end, as with grain. Very often we are off in the same day or two days.

Another point which I wished to bring out in connection with volume movement on traffic, which I think is so important to the railways' business is, these domestic rates on pulpwood from the large papermill companies are getting quite high. While they have been unable to get the rates reduced, they have faced these higher rates, but there has been a trend towards moving truck roads into their limited areas to avoid using the railways.

Personally, for the railways' sake, I believe it is unfortunate because we have vast quantities of pulpwood which should normally move by rail.

Mr. CHOWN: Just one complementary question: are you satisfied that the railways—without trucking competition in your particular area, and in connection with your particular industry,—are doing a real job of selling their services and keeping their freight cars loaded at all times, with this valuable product that you are putting up?

Mr. STYFFE: I think the direct answer to that, in my opinion, would be no, for the reason that while the railway people on the local level have been very sympathetic to this problem, it seems to me by the time they attempt to get the problem all the way through the chain of the various headquarters and on up to the top that somewhere along the line the requests get buried. I believe a good hard look needs to be given to the possibilities of retaining this great volume of traffic for themselves.

Mr. FISHER: If I may interject there, I brought this question up with Mr. Gordon, inasmuch as the Canadian National Railways run through the greater portion of the pulpwood region, and he insisted the railways did every thing they could. I think the facts that support the contention of Mr. Chown's question are these, that we know of no case in any particular region where an agreed charge has been made for volume movement of pulpwood. The trend that Mr. Styffe has remarked upon has been very noticeable, especially that the firms and companies are developing their own private trucking on their own roads despite the very high cost, rather than use the railway's services. I think it is one of the great ironies that we find great railway lines running through pulpwood country, and yet the fact that the railways have not risen to the occasion has led to what everyone would say is a high-cost way of moving this particular product either to the mill or to the lakehead, for example.

Mr. BELL (*Saint-John-Albert*): Well, Mr. Chairman, I think we should be fair and so I say that because there is not an agreed charge it does not necessarily follow that that is the railways' fault.

Mr. FISHER: That may be true.

Mr. CHARNOCK: There has been no attempt to accuse the railways of anything in that respect. The only thing is that the rate structure may be quite in order from a rate-making point of view, but in connection with the economic factors that our people have to meet they are not—the structure is not such that it will move the goods.

In the previous question asked I was wondering if there was any intention to ask whether there was any trouble in connection with the railways supplying equipment. I would say no to that, if that was intended.

Mr. CHOWN: I was going to say I really did not intend that. I was just wondering, having heard complaints from industry in my own province, as to whether the on-site equipment is being used to the maximum, as far as the movement of pulpwood is concerned. The industry in my province complains that it is not being used to the maximum and Mr. Styffe bears that out in what he had to say in terms of the red tape that has to be cut before they can get that equipment down and get the maximum use out of it.

Mr. CHARNOCK: Your province is?

Mr. CHOWN: Manitoba.

Mr. STYFFE: Just to be sure I know what the particular question is, if you are referring to the kind of service they give in giving us cars, in that connection I must say the service has been good. I was referring to the fact that even though we have talked perhaps too much at the local level about the problem, it seems to me enough consideration has not been given by the railways to this problem of the volume which they are losing. It seems to me that a very careful study of what is happening to them should indicate to them that since

they are beyond the point of no return, maybe they should retract and make some arrangement, whether agreed charges or whatever it is, but come back to a rate where they can live and so can we.

Mr. CHARNOCK: The test of any freight rate, whether boat or car or whatever it is, the test of any freight rate is whether or not it will move the goods; and that ties in with other economic conditions, as you all know.

Mr. DRYSDALE: Mr. Chairman, Mr. Charnock mentioned earlier he had some questions on truck operating costs. I notice Mr. Magee is still here and I would be interested in hearing Mr. Magee's reply, if we can recall him, and Mr. Charnock would like to ask the question.

The CHAIRMAN: You can put your question on record, Mr. Charnock, and we will ask Mr. Magee to come up and answer it after you are finished.

Mr. DRYSDALE: Would it not be easier to clear it up now?

The VICE-CHAIRMAN: Apparently there are some rules regarding witnesses asking other witnesses questions and in that way taking the proper authority away from the committee and it could get out of hand.

Mr. DRYSDALE: I just wanted to have the record complete. It looks rather ludicrous, as we had a theoretical or hypothetical question from Mr. Charnock.

The VICE-CHAIRMAN: Well, you can put the question on record now, Mr. Charnock, and Mr. Magee can take notice of it and we will call him back to answer it.

Mr. CHARNOCK: It is entirely on the questions and answers that took place yesterday morning and I think it would be well if Mr. Magee would clear up that point as to whether or not the truckers' rates are based on costs and what authority, if any, is used to see that that base is valid. As I say, that is based entirely on what took place yesterday, because from my unbiased point of view it seemed that a great deal of the questions and answers are irrelevant, if that is not the case.

The CHAIRMAN: Any further questions now?

Mr. FISHER: You make the suggestion that perhaps it is a poor way to do things, to force this subsidy through the complicated rate structure; that it would be much simpler to just give a direct payment to the railways. Have you any ideas of the weaknesses involved in that particular suggestion?

Mr. CHARNOCK: That is a dirty one from you, my friend; of course I have. The supposition is that, in granting this subsidy and so on, that you are relieving the situation and that in putting through increased revenue for the carriers, be it through freight rates, you are distributing the burden of that increase to the people who actually use the services. But from my point of view it is a question that can well be debated by people qualified to do so on a higher level, as to whether or not that is the case, because as we have pointed out, and as Mr. Styffe has shown, certain small businesses, comparatively small, stand a higher percentage of increase than certain others who are able to get agreed charges, and so on.

The question of distributing the cost is a big question and I realize that; but it is being met to a certain extent in connection with the National Harbours Board where certain of their branches have very considerable financial deficits, and I do not think it is beyond the possibility of adjustment. There are problems, but the point is this, that it has become a regular pattern now, this three-play procedure of labour to board to parliament; and how far can that go?

We have already suffered some losses in our neighbourhood. We have had large firms threaten to pull out when an extensive part of their difficulty, in large part, can be attributed to these increases. How is a reasonably large firm or how are a lot of small firms to carry on their business, if they do not know sufficiently in advance, or in a reasonable time, what charges they are

going to be called upon to meet? These increases that have come through have definitely been very detrimental to a lot of private enterprises and businesses that we want to retain.

Does that answer your question?

Mr. DRYSDALE: Mr. Charnock, applying to this specific bill you said you are happy with the \$20 million subsidy. Are you happy with the plan of taking the 7 per cent off the straight 17 per cent? As I understand it, most of your objections and suggestions would be more of the kind that should come before a royal commission on transportation to try and effect the over-all situation. But just as to the present legislation, Bill C-38, are you happy with the 7 per cent off?

Mr. CHARNOCK: Your question reminds me of the old maid who was out on the edge of the bush praying for a husband, and an owl in a tree came up with a "Who, who," and she said, "O Lord, anybody." So we are satisfied with anything which will reduce our transportation costs.

The CHAIRMAN: Anyone else?

Mr. KENNEDY: Mr. Charnock is not married, either.

Mr. CHARNOCK: No personalities, please.

Mr. FISHER: Do you see the difficulty in your proposal as lying in the fact that the Canadian Pacific Railway, at least for appearance's sake, is being carried on as a private business and that is the nub of the difficulty; that is why we are going through this complicated way—

Mr. CHARNOCK: The acceptance of the Canadian Pacific Railway as a yardstick was arrived at at the time of the equalization of class rates. The Canadian Pacific's accounting system was apparently more understood and translatable. There were fewer complications in connection with the Canadian Pacific system than the Canadian National. Therefore, they were accepted as the yardstick and the Canadian National just came in with a "me, too" problem.

The Canadian National Railways, of course, has grown like Topsy, absorbing the Grand Trunk and absorbing the Canadian Northern and so on, each one bringing complicated overhead burdens. So it was quite natural that the Canadian Pacific Railway study was more easily arrived at, and their situation was adopted as the yardstick.

I think that is about the only explanation I can give you; and if the Canadian Pacific Railway's problems can be solved, I see no reason why the Canadian National Railways' cannot also, once you divest the Canadian National Railways' situation of the complications of overhead and what not. After all, they are both operating railroads and they are supposed to be adopting uniform operating methods. As an illustration the depreciation system of the two roads was not on the same basis. So you can see there were difficulties in reconciling them.

Mr. FISHER: One question I would like to ask Mr. Styffe. He gave a call for volume business in our particular region, especially with pulpwood being so vital to the railways, that is, to their very great advantage. Can you give any suggestion on how this fits into the larger picture of our area as a region through which we have a much larger movement?

Mr. STYFFE: Mr. Fisher, I think while I mentioned pulpwood on a number of occasions, the reason for that is because it is something with which I am associated and know something about. I should in the same breath have been talking about all of the bulk raw materials which we handle and upon which we rely for our industry. For example, Steep Rock Iron Mines at Atikokan, that community and our community are inter-related and it is a very serious thing in so far as we, or anyone in northwestern Ontario, are concerned, if there is anything which will harm the competitive position of a volume business such as that.

In addition to that we have Geco and Willroy mines and other mines who are practically all railroad traffic and they are very vital to parts of our economy. Anything that happens to freight rates which puts them in a poor competitive position, is something with which we are very, very seriously concerned.

If there is no objection, Mr. Chairman, there is one point I wished to make substantiating to some extent, the thought I had, that the rates on bulk commodities like iron and pulpwood are beginning to get quite high. It may be unfair to use this example but I had occasion two or three years ago to examine freight rates comparable to our own in the states which border the Great Lakes, just down below us. Without exception on the same mileages and very many points, the rate was slightly more than half of our rates.

If they are private concerns and competing they are certainly in business to make money—maybe that is their loss leader, I do not know about that—but I do know if an investigation of those rates was to be made that the rates for comparative mileages, comparative weights and comparative species of wood, the rates which they charge are somewhere from half up to say, two-thirds. Certainly they are considerably less than ours.

Mr. FISHER: On that point, the lake states, in terms of pulpwood, are direct competitors in terms of our producers?

Mr. STYFFE: That is correct. In a direct and an indirect way, some for other reasons as well, but we feel we have lost quite a lot of our volume to the lake states.

Mr. HORNER (*Jasper-Edson*): That last statement of the witness substantiates the fact that you cannot compare rates on a ton mile basis.

Mr. STYFFE: I, sir, qualified to some extent what I was going to say in connection with this, from what I have heard here during the last two or three days. I suggested to you at the beginning that in so far as rate structures are concerned, I know nothing of them. I only know how it affects the direct business. When it was explained to me how our rate structure worked, involving such things as Crowsnest Pass, competitive agreements and so on, I could not understand. There could be a variance for which there is an explanation, and I see it a bit clearer now myself.

Mr. CHARNOCK: May I just add a word to what I said before and this is for the benefit of our friends from British Columbia? I would like to remind them that while this 17 per cent increase does not apply on international traffic, and allows lumber into Sault Ste. Marie cheaper than into Fort William, the same thing has a kick-back in admitting Oregon lumber into the lakehead, which is not good business for the Canadian carriers or the Canadian producers. I just mention that as a sort of side issue which has perhaps been overlooked.

Mr. FISHER: Have you any comments to make upon the British Columbia proposal as given by Mr. Guest, that is, the use of mileage blocks and having the rates of the increase graded, according to the length of the mileage block?

Mr. CHARNOCK: According to my understanding of the situation there was a very considerable amount of discussion took place in connection with the equalization of freight rates and the problem of tapering had very, very careful consideration. It is a technical point and there is no definite rule for its solution. But if all the far western provinces, including British Columbia, got the benefit of the tapering of those rates, in my humble opinion I think any adjustment that comes along should be on the same basis. That is, on the basis of so much reduction from tapered rates. I cannot see any difference in British Columbia than any other place, as far as their relations to the charges that were originally set up.

Mr. BROWNE (*Vancouver-Kingsway*): I am sure you would agree, though, that where there is no tapering of the rates the competitive situation would be changed. In other words, the dollar change in the competitive situation would be greater, the longer the haul.

Mr. CHARNOCK: If it is greater in one way, then it would be greater in the other. I would just do it on the rates as they have been set up.

Mr. BROWNE (*Vancouver-Kingsway*): But because of the percentage the actual dollar change would be more. In other words, there are a couple of examples given in the Turgeon report showing the amount of dollar difference in two competitive products going to a market, and the longer the haul to the market, the more actual dollars and cents—the one over the other. Therefore, that would change the competitive situation.

Mr. CHARNOCK: Yes, but the longer the haul, your process of taper means the lesser the cost per ton mile.

Mr. BROWNE (*Vancouver-Kingsway*): Yes, I quite realize that.

Mr. CHARNOCK: Therefore, if you can do it on the road up, why not make the same thing on the road down?

Mr. BROWNE (*Vancouver-Kingsway*): In your suggestion here you do agree that competitive situations are very pertinent to freight rates and that is something that would affect the competitive situation.

Mr. CHARNOCK: All right, competitive on an equalized basis.

Mr. FISHER: One last question. You say such a simple solution of the present difficulty is impossible. Then there should be a strong argument for the hundredweight basis and not the percentage basis being used. There is a strong argument for the hundredweight basis.

Mr. CHARNOCK: A strong argument for the hundredweight basis as to the inequality of the allocation of the increases on the percentage basis. The percentage basis works out, as I and others have told you, unfairly to the higher rated points. Our own points here, if anybody cares to see it I have a list of local rates here that in our particular territory go up to over \$2 a hundred-weight on class rates. That is first-class—\$2.32 to be exact.

There is no comparison between that and the rates that would average the same number of points you might have in other sections of the country, especially in the east. It was claimed disparity between the eastern and western set-up that led to the equalization of class rates. However, these horizontal increases, having had the effect that they have had, those that have come through since equalization, have had a tendency to upset that basis and, of course, those that came through prior to the equalization simply raised the rates up and made the rate structure what it is.

I do not know, I cannot see any difficulty in that particular feature, although I do disagree with this business of allocating the costs on that particular basis. What I mean is the value of a rate is in getting your goods to market or bringing them to your market. Because the railroad employees want more money does not raise the value of that service to your industry. It means more cost that you have to assume, but it does not mean that that service has become any more valuable. Looking at it from the point of view of the railways selling their services, I think that is a feature that would tend to distribute these costs more and more on an equitable basis.

Mr. DRYSDALE: One more point. You mention here the horizontal increases having gone up 157 per cent since 1948. Our trucking friends said that the actual increase is only 58.3 per cent. Do you agree with that figure?

Mr. CHARNOCK: No, I do not, not on a cumulative basis. That is since when?

Mr. DRYSDALE: I presume since 1946. The 157 per cent is the total permissive increases; and they indicated yesterday, I think Mr. Roberts indicated,

that they will perhaps apply for the full percentage increase until they have a chance to look at the situation; and in most cases they do not implement them because of competitive factors. Perhaps if the railways are going to testify—I have had another figure thrown at me and I cannot tell you from where, of 88 per cent—I would like to have your comment since I think we should keep the actual increase in perspective, rather than the theoretical increase; but you do not know what the actual increase has been?

Mr. CHARNOCK: To my mind that is what it is. As I say, I am not infallible. I will be glad to check into that and if there is anything in my figure that is not correct, I will be glad to advise you.

Mr. DRYSDALE: I just wanted to emphasize that the 157 per cent increase, as I understand it, is a theoretical or a permissive level which has been allowed since 1948. We have a statement from the truckers that it is 58.3 per cent. I just wanted the actual increase.

Mr. CHARNOCK: Does that mean the increase that has been granted or the increase that has been taken?

Mr. DRYSDALE: Taken.

Mr. CHARNOCK: Because there is a difference. The rates that the Board of Transport Commissioners allow and the government confirms are, of course, the maximum rates; but the carriers are at liberty to charge less, if they so desire, and they have done so in the matter of agreed charges. If you are figuring on the basis of the increase that has been taken, you may get an entirely different figure. I have no way of checking that at the present time.

Mr. BROWNE (*Vancouver-Kingsway*): Mr. Charnock, I should like to clear up this question of your position in regard to the suggestion of the British Columbia government on this tapering of freight rates.

In your brief you suggest that due to the cumulative effect of these horizontal increases, it has worked out to the marked advantage of the short-haul operators and has worked a hardship on the long-haul operators. That is what the government of British Columbia is suggesting, that because of the long distance it has worked a hardship on the long-haul operator. Therefore, the longer the haul the lower the rate of increase that should have been made. So that in this present legislation the decrease that is going to be made should be made on that basis, that there should be a higher rate of decrease in the long haul. Would that not fit in with your brief?

Mr. CHARNOCK: The actual case, while we have both had increases, British Columbia is at one end of the string and we are at the other. Whereas British Columbia has the benefit of the tapering, we have not. My main objection is that the factor of tapering should not be lost sight of.

Mr. BROWNE (*Vancouver-Kingsway*): There is tapering of freight rates within a province. Naturally the longer the haul it would be projected further, but you make a complaint in your brief that you are at a disadvantage with other parts of Ontario where they have shorter hauls, and the fact that British Columbia is a little further away, does not affect the situation. They are complaining of the same situation as you but they are saying it should apply to us.

Mr. CHARNOCK: That we should both get consideration on the basis which we have—in other words, that we should get relief on the same basis as what we have been. But if you will see me after the meeting I will show you the scale whereby these charges were arrived at. It will probably save a lot of time if I can just simply tell you that in the hearings before Mr. Justice Kearney—who, I think, deserves a very considerable amount of appreciation for all his work—I said to him one day when we were in the heat of this discussion, to make a scale quite equitable without error detectable, universally

acceptable is a task quite diabolical and a miracle symbolical. If you do not believe that, I will show you enough evidence to convince you.

Mr. STYFFE: On that point may I add a comment? I just wanted to point out in relation to lumber I made the remarks on lumber in connection with pulpwood as the example. I mean, we are not trying to disturb things in British Columbia but the west coast fellows have the through rate to Toronto and parts east which they enjoy. Then, this 17 per cent increase which we are objecting to has not been applied to them.

The situation rate-wise is, that on certain classes of lumber comparable to what we can produce in our area, they are now able to land lumber in Ontario at a few dollars a thousand less than we can. That means that we will have to absorb the 17 per cent or whatever part of it comes about, after this, as subsidy and we are going to have to make a further reduction in our selling price to meet their competition. That competition is very severe to us for other reasons other than freight. Those reasons are, that in our territory we are attempting to develop a volume lumber business in more or less inferior species to what they have, smaller trees—jack-pine as opposed to their western spruce, fir and so on. But our costs are quite high because we are operating with a much more uneconomical tree; it is smaller, and our lumber industry is also smaller now, too, because we have to rely pretty well on our local market which restricts the extent to which we can expand the industry.

Mr. BROWNE (*Vancouver-Kingsway*): I quite realize your position and I would like to point out here what we are discussing is a rise in the non-competitive class and commodity rates, that it is not a true comparison with the competitive rates. That applies in many aspects of business across the country. In this reduction here we are considering the non-competitive class and commodity rates and it is a rise in those rates with which I was dealing.

The CHAIRMAN: I am sure we thank Mr. Styffe and Mr. Charnock for their very able brief on behalf of the northwestern Ontario situation.

We just have one reporter with us this morning. I hesitate to call for a recess because of the trouble that we have of getting a quorum. However, I think it is only fair that we recess for five minutes to give him a breather, because he is going right through for the morning. Immediately after we will have Mr. Arthur Mauro, counsel for Manitoba.

Mr. CHARNOCK: May I express a word of thanks to the members who are here today for their kind consideration of Mr. Styffe and myself. You asked some questions that were perhaps a bit difficult to answer, but you did it in such a nice way, I want to express my thanks.

—Recess.

The CHAIRMAN: All right, gentlemen, we are ready to go again. We will now call on Mr. Arthur Mauro, counsel for the government of Manitoba.

Mr. ARTHUR MAURO (*Counsel for the government of Manitoba*): Mr. Chairman and gentlemen, we had not initially planned on making any presentation before this committee. We were instructed to attend and hear the discussion and debate on the presentation of this particular bill. Needless to say the government of the province of Manitoba was in favour of this interim subsidy and as I have mentioned we were here simply in a capacity of holding a watching brief to see the passage of this bill. Unfortunately—or fortunately, I do not know which—we were also present when Mr. Magee presented the submission on behalf of the Canadian Trucking Associations and I feel conscience-bound to make certain remarks here so that many of the members who have not had all the facts at their disposal, would not go away having only the distorted facts presented by my very good friend, Mr. Magee.

Mr. Magee and I have discussed this since he presented it, but I did want at least to put on the record some comments and some other approaches to this problem of transportation in Canada.

In effect the truckers' submission said that they are against subsidy in principle and, secondly that the matter of discrimination in the case of freight rates is more myth than fact.

As to Mr. Magee and the truckers being against subsidies, while I would not agree with them in this particular case, nevertheless I would uphold their right to come here and oppose subsidy. Had he gone that far I would not have objected; but on the second point he struck at a very serious problem of the western provinces; and when he comes through with the allegation that what has been going on for years, in the seemingly endless struggle on this matter of freight rate increases, is only emotional propaganda, we in Manitoba feel compelled to set the record straight.

As to this question of discrimination in freight rates, the Canadian Trucking Associations mentioned at page 8 in their brief:

Theoretically, a series of postwar decisions by the Board of Transport Commissioners has raised the maximum level of railway rates by 157 per cent...

They also state that, "such an increase in freight rates never took place"—that this was the permissive level but that the increases did not take place. Again on page 10 "the very fact is that we have had a total railway increase in Canada of 58.3 per cent":

It is clear that the effective, as opposed to theoretical, increases in the railway rates do not bear out the theory that the burden of railway rates has become unbearable. Because of the existence of highway competition, and because of federal government action, notably the immensely complicated task of equalizing the railway freight rates, the actual increase in railway rates is not out of line with other price increases in our economy—all freight rate emotion and propaganda to the contrary.

Then we had presented to us what has become somewhat trite to those of us who are interested in the freight rate problem—the hackneyed value of revenue ton miles.

Mr. Horner from Alberta, I think, pointed out to the committee, by his examination of Mr. Magee that it is at best a very invalid approach to this question of transportation costs because as the haul gets longer the revenue ton miles decrease and revenue per ton mile decreases. But this is not the principle as proposed by the maritimes and western Canada. We are concerned with the actual cost of moving goods into and out of our markets and I shall, instead of countering with other revenue ton-mile figures or any other percentage figures, give you the actual figures involving the movement of goods into the western Canadian market. I am sure that subsequently you may hear from Mr. Mann concerning the maritimes. These are the facts as to the cost picture to our citizens in western Canada.

In 1949 the cost of shipping machinery intra the eastern area, what we might term central Canada, was \$7.97 per ton over an average haul of 282 miles or, if you want to think of Mr. Magee's figure, 2.8 cents per ton mile. In 1957, after the increases from 1949 to 1957, in the central provinces to move that same machinery the cost had risen from \$7.97 to \$17.58 for a haul of approximately the same thing, 290 miles. The other was 280 miles. This had gone up to 5.91 cents per ton mile, and Mr. Magee's argument on the per ton mile looks pretty formidable.

Let us look into the western region from Port Arthur or Armstrong, where in 1949 it cost a citizen of Manitoba to bring in that same ton of machinery

from the eastern region \$31.44 as opposed to \$7.97 in the east, or only 2.4 cents per ton mile. Therefore, taking it on the per ton mile basis it looks as if the west is certainly getting a pretty fair deal in comparison with the eastern region.

By 1957 that same ton of machinery that had cost the farmer in Manitoba \$31.44 now costs him \$64.67. The per ton mile rate only goes up to 3.34 cents but the man who is trying to run the farm, who is trying to operate a business in Manitoba does not figure the difference on the per ton mile basis; he says, "What does it cost to get that stuff into western Canada and what does it cost to get my stuff back into the market?"

Automobiles in the east in 1949, \$26.10, and in 1957, \$29.77 a ton—a \$3 raise. In western Canada in 1949 it cost us \$92.30 to move that same automobile and in 1957 \$116.69.

Explosives for the development of our northern country, in Manitoba particularly, and in Alberta, Saskatchewan and British Columbia—in the eastern region and central Canada a ton of explosives in 1949 cost them \$20.64, in 1957 it is only up \$1 to \$21.77. In the western region in 1949 to move a ton of explosives cost us \$53, and in 1957, \$87. You can take here your per ton mile but it costs the person who was moving explosives from the east to the west an additional \$30.

In the field of what might be termed a luxury item, the item of candy, there is a great movement east and west in Canada. In 1949 in the east it was \$14 per ton; in 1957 it dropped to \$8.81, due to competitive factors that Mr. Magee pointed out, because here in central Canada these competitive factors are really at work. From east to west in 1949 it cost us \$39 as opposed to \$14 to move a ton; and in 1957 our cost went up to \$66.51 a ton, while the eastern rate was dropping to \$8.81 a ton.

Canned goods, a food product, moving from east to west, in the eastern region in 1949, \$10.95, and in 1957 they dropped to \$9.41, due to the competitive factor that the trucks could move these canned goods and other competitive factors in the eastern region. But in western Canada in 1949 it was \$37.53 to move a ton as opposed to \$11 a ton in the east, and in 1957 it had risen to \$48 as opposed to \$9 in the east.

I have additional figures here of increases to \$68 as opposed to \$12 in the east; \$91.55 as opposed to \$11 in the east. I am not giving you any mumbo-jumbo about any ton miles or other sorts of statistical figures. I am giving you the actual cost figures to citizens living in the western region on those items involved in their cost of living today, as opposed to the former period.

I might add too that those figures I have given you were all taken from the Waybill Analyses, the same document that the Trucking Associations analyzed for you the other day.

Our costs in Manitoba on an average to-and-from Manitoba basis is \$12.81 per ton and this includes the movement of grain. The all-Canada average is \$6.83 and the all-United States average is \$6.40. So when we take a particular interest in this matter we suggest that it is based on reality and not on emotional propaganda. If, to our good friends in the east, we seem overly concerned and it maybe seems emotional to people down here, to many and most people in the western region it means their very economic life or death.

I want to make it clear that I am not here to oppose the truckers as such. As I say, I think they have not only a valid reason to be here but they had something important to say, and as counsel for the province of Manitoba I feel too that I represent that transportation element, made up of the truckers in the province of Manitoba. I do feel that many of the things that were said by the Trucking Associations could be better presented at a royal commission, where this whole matter of transportation would be gone into and investigated with a view to determining some solution.

The other principal point raised by the Trucking Associations was this matter of subsidies, and I think I should dwell on it a moment because there are certain words in our vocabulary that are really categorized—words like subsidy, emotional propaganda,—they are tip-off words, and we are supposed to be against things like this. They are what Galbraith in his book "Affluent Society" called conventional wisdom. It is supposed to be a bad thing. Subsidy may or may not be a bad thing, and I am not here to discuss subsidies. They have been with us a long time and in this transportation business they have been with us since 1867. The truckers may want to change all this, but we have to go back and re-do the whole fabric of Canadian transportation because there would have been no Canada unless there had been a rail line, and there would have been no rail line had there been no subsidy from the federal government. If there is any question as to whether or not they are continuing, I have here a page out of the Montreal Gazette of Wednesday, April 15: "Canadian National Railways operating \$51,600,000 in the red." If that is not the biggest and fattest subsidy that has been continually in operation here in Canada, I do not know what is. But these are not bad in themselves.

The Canadian nation was constructed with a transportation set-up east and west when it should have been north and south; and in order to do this we had to introduce certain policies that made it equitable and feasible for certain regions to live under this system. We have therefore the Maritime Freight Rates Act, we have the tool-free canals in central Canada, the trans-continental rates to the west coast and statutory grain rates in the prairie regions, as part and parcel of the fibre of economic development in this country. You do not start toying with one of these many things to create an entirely new concept of the movement of goods in this country of ours.

The brief from the Trucking Associations suggested that competition will take care of all this—let the competitive spirit in a free enterprise system take care of it. This is the ideal, gentlemen, it is what the elephant said to the chickens—every man for himself—it is not quite a fair situation to start off with.

They talk about competition and yet it just does not operate in this country as we might want it, in the ideal.

For example, there is the great waterway of the Great Lakes that comes up into the heartland of this country. In Manitoba we are very close to this waterway. Yet, do we get the maximum benefit of the cheap transportation of goods from central Canada via the Great Lakes into the head of the lakes area, and then overland to Winnipeg? We certainly do not get the maximum benefit, because as rail rates go up they allow the Canadian Steamship Lines and the water carriers to raise their rates to maintain a certain differential, and we are the losers as a result of that.

Then we have a rail line going into the United States and up into Manitoba via Pembina and Noyes. Do we get the benefit of a through rate to Winnipeg from the south? You would think so, but we do not. There is a combination of local rates as if the goods came to the Canadian border, the train stopped, the goods were taken off one train and reloaded and hauled the 67 miles into Winnipeg. It does not take place, of course; the train goes right through or the cars are attached on another train and taken through, but we lose the benefits of our location.

I want to say this because yesterday the minister—and I am sorry he is not here today—said in jest, that these distortions in rates emphasizes the price we pay for being where we are: "Well, you live in British Columbia, it is a nice province, and what you lose on the plywood you pick up on the apples". I want to make it clear the minister was speaking in jest but I always watch these jests too. I am concerned about that because it is one of the theories, that that is part of the price. We hear this a lot: "this is one of the prices you

pay for being a Canadian citizen". We do not say that we do not want to pay our share. We are not against freight rates; they have a place in our economy. What we have opposed at these freight rate hearings, and will continue to oppose, is the distorted share paid and being paid by the smaller portion of the economy.

We are concerned—and I hope I will not be accused of being emotional or spreading propaganda—about these horizontal increases which tend to make western Canada colonies of central Canada. We have tariff barriers to stop competitive products from coming into the western region, and yet we do not set up a transportation system which permits the western region to get their products into the large populated area.

When we talk about improving the economic situation in the maritimes—and I do not want to interfere with Mr. Mann's submission—we must remember if the manufacturers are going to set up in the maritimes, they must be permitted to get their goods into central Canada, at reasonable rates. Similarly, we in Manitoba, Saskatchewan and Alberta are faced with the same problems. I would like to see the day—and I hope it is in our lifetime—when we have super highways across this country up into the north of Manitoba that can, in effect, compete with the railways. Mr. Magee's argument would then become all the more valid. However, trucks cannot compete unless we build highways, and highways cost money; and right now we do have the railroads and they are our means of bringing the products into the market.

I say, Mr. Chairman, again I do not want to be taken as opposing the submission of the truckers in principle. I do not agree with it, but I did not come here to take any side. I have tried to present to you some general reasons behind what has been termed emotional propaganda. The facts are that it means a lot to the economy, particularly the economy of agriculture in Manitoba, when they are caught in this cost price squeeze. I think the only hope lies in this royal commission inquiry and the province of Manitoba made it quite clear that we are not in favour of general rail subsidies in principle as a means of solution, but rather that if any interim subsidy was to be given it must be tied into a royal commission inquiry, or some type of inquiry, that would look into and investigate this whole transportation picture in Canada and come forward with some long-term solution. It is for this reason that we have presented these comments here today.

Thank you very much.

The CHAIRMAN: Any questions?

Mr. DRYSDALE: Mr. Chairman, I appreciate very much Mr. Mauro's view of the freight rate situation across Canada, but I feel that most of his remarks are of general application and would be guided more towards the forthcoming royal commission on transportation.

I would like to ask specifically what comments he has on Bill C-38, which is the matter presently before us.

Mr. MAURO: I certainly want to agree with Mr. Drysdale, that my remarks were general because I was replying to other remarks that were also general.

Mr. DRYSDALE: As to C-38, you are in favour of the subsidy?

Mr. MAURO: That is right.

Mr. DRYSDALE: And are you in favour of the 7 per cent decrease to be applied by the Board of Transport Commissioners?

Mr. MAURO: I am in favour of the method which Mr. Knowles described as to the manner in which the subsidy would be applied.

Mr. FISHER: If I may remark, before I ask you some questions, Mr. Mauro, I think we can be grateful to Mr. Magee—at least he did not use the loaded word, and that is "handout". What about the argument that one of the bene-

ficial effects of high freight rates is, in points such as the maritimes and the west, that by creating such a barrier it has the important effect of developing the local industry?

Mr. MAURO: We certainly hear that, Mr. Fisher, and I can only say that obviously under any particular action results are not all bad. There are some important effects but we have looked it up; our economic advisors in the province of Manitoba have estimated the costs versus the losses under any other system, and we find that the disadvantages of these increases by far exceeded any temporary benefits or small benefits by individual manufacturers.

Mr. FISHER: Mr. Charnock suggested earlier there was an intimate relationship between northwestern Ontario and Manitoba. Can you say that and can you elaborate on the link?

Mr. MAURO: Mr. Fisher, as I know you are aware, we have just recently organized the Canadian Lake Head Port Association which consists of representatives of Port Arthur's and Fort William's city councils, the provinces of Manitoba, Saskatchewan and Alberta. The underlying theme of this association, the reason for its creation was the realization that northwestern Ontario, especially the Canadian lakehead, were the ports for the prairie region of Canada. Also that we were very intimately bound together in an economic sphere and that what injured one directly or indirectly injured the other and that we should look at this from a mutual standpoint. I have great hopes for the development of what is now a completely informal organization until something that will, I hope, bring about some improved results for this whole region—the prairie provinces and northwestern Ontario.

Mr. BADANAI: I was going to ask the same question which Mr. Fisher asked. I was going to ask Mr. Mauro to comment on the statement made by Mr. Charnock.

Mr. MAURO: I might say for Mr. Badanai's benefit that just to show you a single instance of the effect of increased freight rates, the Canadian Car and Foundry, one of the largest industries of the lakehead region said recently it was shortly going to close its doors, the reason allegedly being the high freight rates for the movement of its goods into the Montreal and Toronto regions. They suggested they could better produce and manufacture these in Montreal.

Mr. BELL (*Saint John-Albert*): I wonder if I might ask Mr. Mauro of he heard the comments and proposals made by Mr. Guest in regard to the so-called taper system and that would be separating this proposal from this legislation, for the future?

Mr. MAURO: Yes, in the context of this legislation, Mr. Bell, I will not approve of it because I think this legislation was to rectify that which was done by the 17 per cent case. I do agree that Mr. Guest—as I know he will before the royal commission, and has every right to—will bring forward what is certainly a valid argument for the province of British Columbia concerning these rate increases.

Mr. DRYSDALE: Do you feel that the mistake, shall we say, in the taper should be perpetuated for the present, rather than have it corrected with this legislation?

Mr. MAURO: I do not think this legislation calls for that change.

Mr. FISHER: One of the points raised by Mr. Magee and the truckers, when they were appearing before us, was the question of maintenance costs and maintenance of way costs. Have you any views as a group, in that regard, towards the whole problem involved in the fact that the maintenance of way costs for the trucking industry are so much below the maintenance of way costs for the railways?

Mr. MAURO: I think that Mr. Magee's statistics concerning the number of for hire trucks on the highway as opposed to the private trucks and inter-city trucks, you will remember he gave a figure of 5.62 per cent being for hire trucks, is somewhat misleading. Mr. Magee will correct me if I am wrong because the next question to Mr. Magee should have been: what percentage of the ton mileage on highways is for-hire trucks. While they are few in numbers, that 5.62 per cent is the registration, all the wear and tear on our highways is not caused by the numbers of vehicles on the highways but the weight per axle. While they only bear 5.62 per cent of the vehicle registrations, for-hire trucking is a far greater percentage of the tonnage moved over our highways.

I have not yet had it satisfactorily demonstrated to me that the truckers are paying the amount that it costs the provinces to maintain these thruways. I am not taking any position on it because Mr. Magee comes back with some very cogent arguments concerning sales taxes and one thing and another, which have to be taken into consideration. However, there can be no question in my mind as to the comparative costs of maintaining thruways and highways and maintaining a similar length of track because the maintenance costs on the railway are fantastic. I think if we are ever going to solve this transportation problem in Canada, we are going to have to take some refreshing new views on line abandonments, of changes in our railway line structure, because we cannot continue to demand that the railways give services, such as they have been giving, at rates which do not make a proper return on their investment.

Certainly the province of Manitoba's view is that this royal commission will have to make a frank appraisal and reappraisal of this whole problem.

Mr. FISHER: Has Manitoba given any suggestion to the interdepartmental committee or to the government as to what they think the terms of reference of this commission should be?

Mr. MAURO: We have not.

Mr. FISHER: Since the matter has been raised here I do not think it would be impertinent for me to ask you to give a suggestion as to what you think the terms of reference should be.

Mr. MAURO: I think, Mr. Fisher, our feeling on it is, that the terms of reference be broad enough so as to permit the commission to make a complete and thorough investigation of the transportation picture in Canada, and I hope that is not taken as a facile type of answer. That is our feeling about it. I think the terms of reference should be broad and general, to bring in the truck, rail and lake rates and all these other rates.

Mr. BELL (Saint John-Albert): Mr. Chairman, just for the record might I ask a question? Was this interdepartmental committee not dealing particularly with the maritime provinces? I think that is important.

The CHAIRMAN: Can you answer that, Mr. Knowles?

Mr. L. J. KNOWLES (Commissioner, Board of Transport Commissioners): I did not hear the question. Would you kindly repeat it?

Mr. BELL (Saint John-Albert): Yesterday the representatives of the railways made a brief statement on the interdepartmental committee, a four-man committee that has been reporting to the cabinet, and I understood at that time the reference was mainly with respect to the problem of the maritime freight rates.

Mr. KNOWLES: I think the minister's statement was correct, but I am not a member of the committee, neither is any other official or member of the Board of Transport Commissioners. It is purely a Department of Transport committee as I understand it.

The CHAIRMAN: I think Mr. Scott, who was here yesterday, is on it. Probably we could arrange to have him here this afternoon.

Mr. BELL (*Saint John-Albert*): It is a delicate matter here and I do not think Mr. Mauro would be in a position to make recommendations to it, but I would like to have it cleared up, if anybody has knowledge, because I think it is extremely important.

The CHAIRMAN: We will try to have Mr. Scott here this afternoon, Mr. Bell.

Mr. BROWNE (*Vancouver-Kingsway*): I would like to ask Mr. Mauro one or two questions in regard to the trucks. Mr. Mauro said he was not satisfied that the trucks were bearing their share of the costs of maintaining the highways, but I believe you do not have any figures to show differently.

Mr. MAURO: No, what I said was I have not had it shown to my satisfaction any figures that determined the over-all costs being shared by for-hire trucks as opposed to other vehicles. I have not seen any evidence.

Mr. BROWNE (*Vancouver-Kingsway*): In connection with the costs, I thought you raised a rather interesting point in connection with the maintenance of way costs. The railways costs are apparently higher than those of the trucking industry. Do you think a great deal of that is within their own control and the fact they do not maintain any private land, and that the railways rates would not be so high if they could eliminate some of that?

Mr. MAURO: To maintain rail and put in new rail demands very large capital expenditure. There is all the difference in the world. If the government would come along and build rail lines and charge the railways a licence fee for running over the lines—because obviously one of the expensive items in our economy today is money itself, the obtaining of large capital sums.

Assuming that the truckers are paying their fair share, the difference is that the truckers pay it over the life span of the highway, over a period of years, as part of their operating expenses. They buy a licence in 1959 and in 1960 but the railways,—they have a large capital expenditure in land, rail, say, from the Hudson bay route up into Moak lake or Mystery lake,—they must pay the shot and go into the money market and obtain that money and lay it out.

Mr. CAMPBELL (*Stormont*): Effectively what you are saying is that the development and maintaining of the transcontinental highway is in fact subsidizing the industry at the expense of the railways?

Mr. MAURO: No Mr. Campbell you are not going to me into that position.

Mr. CAMPBELL (*Stormont*): Is that not what it amounts to?

Mr. MAURO: No, I do not know whether or not the truckers are in fact paying their fair share of the costs of construction and maintenance of the highways. What I am saying is, even if the truckers are paying their fair share I think we will agree that there is a difference in spreading your costs by way of operating costs over an indefinite number of years and on the other hand, as compelled in the railway situation, to spend these fantastic sums of money all at one time as a capital expenditure.

Mr. CAMPBELL (*Stormont*): The equivalent would be for the truckers being compelled to go into highway construction themselves.

Mr. MAURO: Yes, or the other equivalent would be for the Canadian government to build the rail lines and allow the railways to pay just a licence fee.

Mr. BROWNE (*Vancouver-Kingsway*): Do you not feel that there are a number of other people who can use highways, other than truckers, and that therefore the people of Canada are getting the advantage because of that fact, the same as they do because of other competitive conditions that exist?

Mr. MAURO: That is completely correct.

Mr. BROWNE (*Vancouver-Kingsway*): It is not the fault of the truckers that other people are able to use the highways and possibly get the advantage.

Mr. MAURO: I hope I have made myself clear on this. I am not here putting in a case for the railways as opposed to the truckers. I am only answering a question. I think everything is rosy across this country and if we continue on, the situation which Mr. Magee suggested, will develop.

Mr. HORNER (*Acadia*): I have a question. I would like to commend Mr. Mauro on his brief. I think it was very ably presented. I was very pleased to see that somebody would get down to the actual costs of the items—particularly in western Canada—and get away, perhaps for a while, from the per ton mile. However, I would like to ask this question as to whether or not the brief, as stated for Manitoba, is just not a little more so for Alberta particularly in regard to the products of agriculture?

Mr. MAURO: You have sitting over there at that table, one of the greatest "apologists" for Alberta in the history of Canada. I refuse to enter into competition with him as to the case for Alberta.

Mr. WRATTEN: Mr. Chairman, the witness mentioned a short time ago about free tolls in canals. What canals are you referring to?

Mr. MAURO: The Welland, particularly.

Mr. WRATTEN: You realize the Welland canal is coming under toll?

Mr. MAURO: Only to cover the cost of deepening it to the requirements of the seaway—to that extent of the cost. The manufacturers of central Canada have had the full benefit of that open canal for a long period of time. We are not against it; it is part of the transportation policy of Canada and it was so good that the president of the Steel Company of Canada gave a very learned dissertation concerning the effects of any toll on the Welland canal as to manufacturing in, I think it was, Hamilton.

Mr. WRATTEN: By the same token, you received the benefits of that free canal too.

Mr. MAURO: I tied in the toll-free canals, sir, as part of the Maritime Freight Rates Act being one of the things, free canals in central Canada another, the transcontinental rates as another, the Crowsnest rates as another part of the act and one vital point that we want to look at when reviewing the whole picture.

Mr. WRATTEN: I quite agree with that, but it was just the way you termed it here—about free canals in eastern Canada and the higher freight rates in western Canada—that I took objection to.

Mr. FISHER: I refer you to this question of railway maintenance costs. One of the factors that exists, is it not true, is that the volume of freight traffic moving over the railway really has nothing to do with the maintenance of way costs—or very little to do with it?

Mr. MAURO: Right.

Mr. FISHER: And that is one of the advantages that the truckers have?

Mr. MAURO: I think that is perhaps correct, Mr. Fisher.

Mr. FISHER: In this general question, do you think it would be one of the valid considerations of any royal commission on transportation to examine this problem, let us say, in terms of equity or competitive justice?

Mr. MAURO: I think probably you will see that these matters are brought before the commission, Mr. Fisher. Certainly there have been inclinations from various sections of Canada that one way to assist the railways would be on a capital loan basis at very low interest rates which would permit them, for

example, to improve their maintenance set-up, bring in automation and technological advances in terminal facilities and so on which would bring down their costs.

The railways have made very great advances in efficiency and economies over the past short period and as I say there are those in the transportation who suggest that if the government would provide them with the necessary capital now to bring about, or speed up, the modernization that this would be a solution. There are others who say this is not the whole answer, that you must go further than that.

Mr. CAMPBELL (*Stormont*): Have there been any studies made on the efficiency of railways and trucking? Perhaps instead of building the Pine Point railway we should be building the Pine Point highway. Because of their necessity in times of war it is essential that we maintain, and perhaps subsidize two transcontinental lines. Perhaps we should discourage railways from expanding in that direction. To retain the two transcontinental lines appears to be one of the necessary disadvantages of being a Canadian nation, but should we be increasing this liability if a highway would be a more efficient means of transportation?

Mr. MAURO: Mr. Stechischin of the Manitoba Transportation Commission told me that the railway cost is one-quarter to one-fifth of the truck cost for moving the same amount of commodities over the same distances. I do not know what that means, these statistics always floor me—but I think it is generally accepted that there is no more efficient way of moving large amounts of commodities, of bulk goods, overland than by rail, as opposed to trucks.

Mr. DRYSDALE: Mr. Chairman, there have been some comments made in the past with regard to the truckers, and if it was constitutionally possible to have them under the jurisdiction of the Board of Transport Commissioners, because the truckers and the railways are competitive—although I do not think they are comparable as far as costs are concerned. I was wondering if Mr. Mauro has any views, or would be in favour of the truckers brought under jurisdiction of the Board of Transport Commissioners, if that was possible.

Mr. MAURO: The province of Manitoba has taken no position on this, Mr. Drysdale. I think there is a situation developing where, if the truckers are going to come forward—and properly so—seeking redress in comparison with the railways for federal dollars, I see the day where they are going to have to come under some form of federal regulation, Mr. Chairman, of a transportation commission, such as we have governing the railways. However, we have no views on that.

Mr. BROWNE (*Vancouver-Kingsway*): Mr. Mauro, in the light of these figures you have just given us now in regard to the costs of the railways in moving freight being considerably less than the trucking industry, why should the rates be higher than in those areas where there is no truck competition? What would be the logical explanation of that? If their costs are lower than trucking, presumably trucking would not be doing any business, and should their rates not be down?

Mr. MAURO: These rates, of course, are average rates. As I say, most statistics are taken on an average basis. Many of the commodities that we move are not in the competitive range of trucking. Mr. Magee said that there is nothing that is outside the potential competitive field. That is right—potentially—there is nothing outside of the potential competitive field of trucking, but I want to see trucks move ore from Steep Rock at the same rate as the Canadian National Railways or maybe up from Lynn lake to Fort Saskatchewan, at the same rate as the railways.

First of all we have to construct the highway for them where there is no highway and, secondly, these large bulk commodities in Canada today, with our present road system it is not feasible. We just have not got the roads; but in central Canada we are getting some of these super highways and we are getting a basis for moving bulk commodities in large amounts. There are many regions in this country however, who are far behind and will not be catching up for quite some time.

Mr. BROWNE (*Vancouver-Kingsway*): One of the complaints we hear from the provinces generally in freight rate situations is that the competitive rates are becoming less and less all the time.

Mr. MAURO: Certainly, and as we narrow that basis there are items such as large agriculture equipment and iron that a railway can move with any number of flat cars, that trucker cannot compete in; and the base keeps getting narrower and narrower and keeps bearing more and more on an increase.

Mr. BROWNE (*Vancouver-Kingsway*): There is one thing I would like to clear up. I notice in the last statement they made to the Turgeon commission they recognized there were certain disadvantages to distance. I rather took from your remarks that you felt they should not have to bear the effects of that distance.

Mr. MAURO: No, we have always taken the position that there are geographical factors of life in this country and that we in Manitoba say that we will have to bear a proportion of the cost to move goods into a particular region, but that we should not have to bear a disproportionate cost.

You will recall before the last commission that there were suggestions for alternative methods of realizing freight increases that would bear more and more on both the short haul and the long haul.

Mr. BROWNE (*Vancouver-Kingsway*): In other words, something similar to Mr. Guest's suggestion of the tapering of rates?

Mr. MAURO: No, something not similar to Mr. Guest's suggestion. We say something more or less akin to the bridge subsidy with so much a hundred plus a percentage increase.

Mr. McPHILLIPS: You said that the cost per ton of moving machinery in 1947 was \$31.44 and in 1957 \$64.67.

Mr. MAURO: That is right, 1949, not 1947.

Mr. McPHILLIPS: That does not equal the 1957 per cent increase in freight rates.

Mr. MAURO: I am not saying that the increase has gone up to the permissive level. I am simply saying it has gone up appreciably in dollars and cents and certainly in excess of the 59 per cent suggested by the Canadian Trucker Associations. There are various commodities that have not gone up the 157 per cent and those which have.

Mr. BROWNE (*Vancouver-Kingsway*): Would you agree that the average has been 58 per cent, or do you have an opinion?

Mr. MAURO: I say the average is higher but I do not have it.

Mr. HORNER (*Jasper-Edson*): Mr. Chairman, I was just going to follow that along a little. In the truckers' statement, they did not have a figure for class and commodity rates. I wondered if you had anything on class and commodity rates, the actual?

Mr. MAURO: Mr. Stechishin did not take those off. We can make those figures available to you.

Mr. McPHILLIPS: Are you saying that in Manitoba it costs more to ship from Manitoba east, than it does to ship from a point in the east to, say, Winnipeg?

Mr. V. M. STECHISHIN (*Manager, Manitoba Transportation Commission*): I think you are talking about shipping in the reverse direction?

Mr. McPHILLIPS: You ship some commodity, we will say, from Winnipeg to Toronto. Is the rate higher than shipping the same thing from Toronto to Winnipeg?

Mr. STECHISHIN: It would vary with the commodity. They are very rarely the same, except on class-rated goods. Grain, of course, will ship cheaper into Toronto than they can ship grain from Toronto to Winnipeg. On the other hand, there are certain articles that cost more to ship from Toronto to Winnipeg than it does from Winnipeg to Toronto. There is no relationship between the two, except on straight class-rated goods where the rate is the same in both cases.

In most cases the rates would vary.

Mr. McPHILLIPS: In most cases it would cost more?

Mr. STECHISHIN: It would depend again on the commodity. If the commodity was grain you would probably pay less going out than coming in, but if you have manufactured articles you would probably pay more coming in than going out. I do not know what the total circumstances would be. The truckers have put some ton mile figures in. If you leave out the movement of western grain I think the rates would be higher from the east to the west, than from the west to the east.

Chart 4 of the brief, which is based on the rate per ton mile shows an average rate from the west to the east of 1.4 cents and from the east to the west of 2.92 cents. That is taking all commodities and that is not only Manitoba, but all western Canada.

Mr. BROWNE (*Vancouver-Kingsway*): I would like to ask Mr. Mauro a question. He mentioned being in favour of something similar to the bridge subsidy. I wanted to raise the point that I have had a number of complaints from the fruit growers in British Columbia. They told me they knew that particular subsidy helps goods from central Canada come into Manitoba but it has the opposite effect on those goods of British Columbia. In the case of fruit they would be getting poorer fruit into Manitoba instead of coming from British Columbia.

Mr. MAURO: I said that one alternative was akin to the bridge subsidy, the Bridge Subsidy, is regional subsidy and that is why your fruit people are complaining. I used the context that applying a general rate increase along the same basis of so many cents per hundred plus a percentage increase. There is nothing similar.

Mr. BELL (*Saint John-Albert*): May I ask Mr. Mauro or Mr. Stechishin this question? Yesterday Mr. Roberts of the Canadian Pacific Railway said that the railways transferred some classification after the 17 per cent increase came into effect and that had the result of reducing the increase. I wonder if you have an example in Manitoba of shippers finding that their competition in central Canada or elsewhere had this favourable consideration given to them in rates, and that some people still had to abide by the 17 per cent increase itself?

Mr. STECHISHIN: I cannot think of any specific case. The average shipper, of course, does not concern himself too much with what the terminology of the rate is and he does not care whether it is shown in the tariff as a class, a commodity or competitive rate. He says, "This is my rate".

When the rates went up 17 per cent, the railways put them on as a general increase on all rates inclusive, although they issued what they called a master tariff just saying, "Where a rate says so and so you make it now read 17 per cent higher".

On specific complaints from shippers, they would remove a portion of that increase. If the rate increase was on a commodity rate and they took part of the increase off, the railways would then designate that rate in their tariff as a competitive rate and that is what I think Mr. Roberts meant by transferring from one classification to another.

The effective rate, the rate the shipper paid, was no longer a commodity rate or class rate; it was then a competitive rate. But as to actually being measured by the removal of the increase on some rates and not on others, I have not had any complaints in that regard. There are always complaints about a specific rate being too high or too low, but I do not think of anything being in that particular context as being related to their taking an increase, and not someone else.

Usually a competitive situation exists in a certain market; and when the rate is reduced, it is reduced for all people who compete in that market.

The CHAIRMAN: Any other questions, gentlemen?

Mr. DRYSDALE: Do you feel that the Crowsnest grain rates should be equalized?

Mr. MAURO: Equalized with what?

Mr. DRYSDALE: Brought into line with the rest of the rates.

Mr. MAURO: I think the Crowsnest grain rates were a valid agreement entered into by two people who knew what they were doing.

Mr. DRYSDALE: In 1897?

Mr. MAURO: That is another strange thought that goes across this country. The Crowsnest Pass rates have been re-adjusted. They existed since 1897; they came into effect then, but I think the last time they were looked at was in 1925. What would be the difference, Mr. Drysdale—the Canadian Pacific Railway made a certain deal with the city of Winnipeg in 1881 regarding taxes on city owned land. They were to have the land in perpetuity, tax free. We know the city of Winnipeg have gone to the Privy Council a couple of times with the object of getting that contract cancelled. The Privy Council said "Oh no, this is a bona fide contract you entered into; it is a contract and the Canadian Pacific Railway has acted as a result of it, don't renege".

I want to make this clear however, that the Canadian Pacific Railway has made grants to the city of Winnipeg gratuitously.

I think at the time of the Crowsnest rate the Canadian Pacific Railway were granted 250,000 acres of land, a monopoly that extended into southern Alberta and into the Kootenays and had money given to them as a subsidy. If we are going to look into the Crowsnest rates, we should look at everything the Canadian Pacific received and put it into the pot.

Mr. DRYSDALE: The reason I raised this point, Mr. Mauro, was that in the Turgeon commission report the recommendation,— or I believe the suggestion of the prairie provinces—was to equalize all of the rates except for the Crowsnest rates and I was trying to find out what Manitoba's viewpoint was as to whether that had changed, or whether they still accepted the Crowsnest?

Mr. MAURO: We have seen no reason to change our feeling about the "Crow".

The CHAIRMAN: Thank you for your presentation, Mr. Mauro. I am sure the committee will give it every consideration.

I thank you gentlemen for your assistance this morning and we will meet again this afternoon at 3:30. We will adjourn now and this afternoon we will have Mr. Mann, Executive Manager of the Maritime Transportation Commission and Mr. Frawley, representing the province of Alberta.

Thank you very much gentlemen.

AFTERNOON SESSION

The CHAIRMAN: Well, gentlemen, I see we have a quorum.

I do not know how many of you have the brief which you received yesterday, which was given by Mr. Blair on behalf of the Great West Coal Company and the Manitoba-Saskatchewan Coal Company. But there is a little change to be made in that brief. On page four, those of you who have it, will note that at the end of the second paragraph it says: "the present mine price averages \$2 per ton". That should read, \$1.87 per ton. Mr. Blair has just brought it to my attention.

Now, we move over to the maritimes for a witness. Mr. H. A. Mann is executive manager of the Maritimes Transportation Commission. I now call on Mr. Mann.

Mr. HOWARD A. MANN (*Executive Manager, Maritimes Transportation Commission*): Mr. Chairman and gentlemen: when we came to Ottawa we had not thought that we would make a statement to this committee. Rather we had arrived here with a watching brief only. However, as the proceedings of the committee got under way several of the members expressed the hope that some views would be expressed by the provincial representatives, and then as matters developed further, and the Canadian Trucking Association submitted its excellent brief, again some of the members said they would like to have the reaction of the provincial representatives on that submission as well.

In view of that, what I shall try to do today is two-fold. I shall try first to deal with bill C-38, and secondly, to deal, not fully, but with some of the points raised by the Canadian Trucking Association.

Now, with regard to bill C-38, what we have done there is to try and assess the effect the bill might have on the traffic which is of importance and interest to the provinces of Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland.

In our assessment of the bill we have relied on the document, so to speak, the standard reference in this hearing, the waybill analysis of the Board of Transport Commissioners, as a source of statistical information. But we have also relied on our knowledge of the traffic of the Atlantic region in order to see whether this knowledge would supply data which, while more sympathetic, or a little warmer than cold statistics, would nevertheless bear out the conclusions drawn from the figures.

In our statistical investigations we have determined from the waybill analysis that the Atlantic provinces have a greater proportion, a greater amount of non-competitive traffic, than any other area in Canada. That conclusion holds true whether you analyze the data by revenue or by tonnage.

In order to prove that conclusion, we have prepared from the waybill analysis three statements which, I believe, have been distributed to the members of the committee. They are the ones which are stapled together.

I must apologize for my slip-up in the distribution system. These statements are being distributed now. As I was saying earlier, our statistical analysis has convinced us that the Atlantic provinces have a higher proportion of noncompetitive traffic than any other rate region, or any other rate territory in Canada.

I would respectfully refer you to statement number one which is a tabulation of intra-territorial movements showing by revenue and tonnage the percentage relationship of each type of rate to the total movement within each territory. Those are movements originating and terminating within the same territory.

You will readily see that, within the Maritime Rate Territory, 69.05 per cent of the traffic by revenue is classed as commodity rated traffic as against

54.48 per cent in central Canada (Ontario and Quebec) and 50.05 per cent in western Canada.

Statement two contains the same tabulation; only this statement refers to traffic outbound from one region into other regions. There again it is quite apparent that the maritime rate territory which, by revenue, has 69.72 per cent of its traffic in non-competitive and agreed charges, leads the rest of the country in this dubious distinction.

In respect to inbound traffic into various rate territories, the figures are to be found on statement three. The picture there, too is more adverse to the Atlantic provinces because almost 78.98 per cent of the traffic that we receive from other parts of Canada travels into the Atlantic provinces on non-competitive class and commodity rates.

Now it is quite apparent to us from the statements that, both by revenue and by tonnage, we have the highest proportion of non-competitive rates in respect to inbound, outbound and intro-regional traffic.

Since bill C-38 applies to non-competitive traffic and will hold the 17 per cent increase down to approximately 10 per cent, this bill is, according to our statement, of considerable benefit to us. Certainly, even this hold down does not restore completely the situation as it existed before the 17 per cent increase. No hold down can.

As I understand it, the bill is an attempt to lessen the impact of the increase on that part of the traffic which, for one reason or another, has never become competitive enough to force the railways to publish either competitive rates or agreed charges on it. The bill does that.

It lessens the severity of the impact of the 17 per cent increase on that type of traffic to the extent of the hold down, and it does so in respect to much of our traffic, as our three statements have attempted to show. But it also does so in an important way. And here I am departing from the general statistical approach in order to show, by way of example, what this hold down in our non-competitive rates will mean to us.

We have an important lumber industry. Its most stable market, unhampered by currency or tariff restrictions, is central Canada, Ontario and Quebec. But in that market our lumber men compete with lumber of the same or similar kind shipped within that region. There was a reference made this morning by Mr. Styffe to the effect that his part of the country ships jack pine and spruce. We are shippers of spruce.

Not very long ago the rail rates on lumber from points such as Val d'Or, Amos, Senneterre in Quebec and Kapuskasing, Hearst, and Nakina in northern Ontario to, say, Toronto or Montreal were commodity rates. Now, as of a comparatively recent date, they have become competitive rates. Our lumber rates, however, still are commodity rates.

When the 17 percent increase became effective last December 1, it was applied to the competitive lumber rates in Ontario and Quebec as well as to our commodity lumber rates. It did not take much imagination for us to predict at that time that the increase would either be lessened or taken off entirely from the Ontario/Quebec rates. It was removed entirely from these rates effective February 16, 1959. Our rates, however, retained the increase. Obviously the effect of this was to widen the freight cost differentials between our shippers and Ontario/Quebec shippers in the markets which they both must reach.

Here, graphically, is an example of what has happened. To Montreal, the rail distances from Dalhousie, New Brunswick, and Val d'Or, Quebec, are within four miles of each other. Before the 17 per cent increase the rates were identical—41 cents per 100 pounds. On December 1, 1958, both rates became 48 cents per 100 pounds as a result of the 17 per cent increase. Then the increase was taken off the Val d'Or to Montreal rate. It reverted to the pre-17

per cent level, and it again became 41 cents. But the 17 per cent stayed on the Dalhousie, N.B. rate. As a result, the rates which for an identical mileage had been identical prior to the 17 per cent increase are now 7 cents per 100 pounds apart. The Dalhousie shipper must pay \$1.40 more per 1,000 board feet to get his lumber into Montreal. He either absorbs that \$1.40 or he does not sell. No emotionalism there; no provincial propaganda about freight rate distortions; it is just the difference between sale or no-sale.

As I understand it, bill C-38 will correct this situation to quite some extent. The 7 cents differential which our shipper has suffered will be reduced to a 4 cents differential or his absorption of a \$1.40 per 1,000 board feet of lumber will shrink to 80 cents. In a highly competitive market, I am told that is important.

Innumerable examples can, of course, be cited to show that the bill, if passed, will be of benefit to our shippers who move goods into the rich central Canadian market which is so very vital to the Atlantic provinces. But they would merely duplicate the information I have tried to develop on lumber.

The bill will, of course, also be of benefit to consumers in the Atlantic provinces and to those of our industries which must get some of their materials of production from outside the region. Take our canning industry, for instance. The rates of tin cans from Hamilton, Ontario, to Middleton, Nova Scotia, are class rates which took the full 17 per cent increase. Rates on tin cans from Hamilton to Montreal, however, more under an agreed charge and they were not touched.

The bill will, by way of the subsidy, allow us some of the benefits which the canner in Montreal has had. And I might add that it will not be harmful to my good friends in the trucking industry, since the highway carriers appear not to be particularly anxious to take empty tin cans from Hamilton to Middleton, N.S.

That is one of the many examples where bill C-38 will remove some of the hurt of the 17 per cent increase from those of our producers who must bring in some of their materials of production from outside the region.

The third and last instance which I want to cite pertains to traffic moving within the Atlantic provinces themselves. I understand that a good portion of potatoes shipped within central Canada move by truck. In fact, I was told that roughly 98 per cent or thereabouts, of potato movements in Ontario is by truck. That, of course, holds true—not to quite that extent—in the maritime provinces. It does not hold true, however, in the case of the consumer in Newfoundland. He gets his New Brunswick potatoes, or his Prince Edward Island potatoes, by way of commodity rates I would respectfully suggest that he will likely continue to get his potatoes from New Brunswick or Prince Edward Island via commodity rates until that happy day when the first amphibious truck is welcomed by the mayor of St. John's. In the meantime, however, bill C-38 will remove some of the burden of the 17 per cent increase from the Newfoundland consumer.

I have tried, Mr. Chairman and gentlemen, to show by way of statistical information in a general way that bill C-38 will be of benefit to the Atlantic provinces which have the highest proportion of non-competitive traffic in Canada. I have also tried to focus the ameliorative effects of that bill a little more closely by giving a few examples from actual experience in the hope that they will put some warm flesh on this cold statistical skeleton.

Certainly, from the point of view of the Atlantic provinces, bill C-38, bearing in mind that it does not claim to be a lasting, final and complete remedial instrument, is a desirable piece of legislation.

We are, sir, of course, not unmindful of the effects which a subsidy such as that contemplated by bill C-38 might have on the trucking industry. We have an important trucking industry in our provinces, the collapse of which

would have grave consequences for the Atlantic region. But no such collapse will result from bill C-38, and I have no better authority for this statement than the remarks made by Mr. Magee on page 5 of the Canadian trucking associations brief, and I quote: "The expenditure of \$20 million on a twelve month reduction on the class and commodity rates of our competitors, the railroads, may have little if any immediate"—and the word "immediate" is underscored—"impact on the trucking industry". That is the end of the quote.

Now may I deal with some of the matters raised in the extremely able presentation made to the committee by the Canadian trucking associations. Following the presentation of the brief submitted by Canadian trucking associations, as I mentioned earlier, some of the members of the committee felt that they would like to have opinions expressed by the provincial representatives, on the points made in that submission and I hope I have your permission to deal with some of these points now.

We would like to deal with some of these points for yet another reason, and to refer to this reason may I quote from page 6 of the Canadian trucking associations' submission I think that all of us representing provinces are quoting the same passage, because the passage, I am afraid, stuck with us and struck us rather deeply, and perhaps you will forgive me if I repeat it again. "Freight rate increases in Canada since World War II have, through propaganda and emotional, rather than reasoned, response been whipped up into a public issue of far more serious proportions than the facts justify".

It comes as a distinct shock to those of us who have laboured in the admittedly tangled and overgrown vineyard of freight rates to be so curtly labelled as mere propagandists and whippers-up of public opinion. While I may be biased about the work done in my part of the country, my rather close association with my colleagues representing the western provinces certainly leads me to a different conclusion than that they are propagandists and have an emotional approach to the freight rate issue.

I do not intend to meet the case so forcefully presented by Canadian trucking associations. To do so fully would require more preparation than has been possible for us. At any rate, I would suggest that it is a case which is, perhaps, better made to the forthcoming royal commission than within the framework of a discussion of Bill C-38.

What I would like to do is to deal with only a few of the important matters raised in the submission of the trucking industry. I would like to confine my remarks as much as possible to the Atlantic provinces. In commenting on the submission of the Canadian trucking industry, I would like to emphasize as much as I can that the trucking industry, the motor carrier industry, in all its segments is of importance and of very great importance to the Atlantic provinces. I hope that we have shown both by the action of our four provinces and by the close cooperation which has existed between the Maritime Transportation Commission and the Maritime Motor Transport Association, which is Mr. Magee's regional affiliate in our part of the country, that we regard the motor carrier industry extremely highly. I noticed a passing reference that the Canadian Trucking Association brief had to the effect that perhaps our Commission might be well advised to devote as much attention to the trucking industry as we appear to have devoted to other carriers. I hope this sentence crept into the submission inadvertently. I am sure that the representatives of the trucking industry will remember, for instance, that the question of the introduction of a uniform regional bill of lading for the trucking industry was brought to the attention of the trucking industry in the Atlantic provinces by the Maritimes Transportation Commission. We worked very closely with the industry on this and we hope we will have a model result from it.—The

extremely carefully prepared and ably presented brief of Canadian trucking associations endeavours to show on rail revenue per ton mile that the index of authorized rail rates is entirely meaningless in the assessment of the impact of freight rate increases on regions or types of traffic. Instead reliance is placed by C.T.A. on an index of average revenue per ton mile, which is admittedly much below the other index.

Of course—and Mr. Mauro pointed it out extremely forcibly this morning—in so far as the shipper is concerned, the railway revenue per ton mile is rather meaningless. I had pondered, following the accusation levelled against us in the C.T.A. brief, whether we should go, for instance, to the Dominion Steel and Coal Corporation and tell them that they had an emotional approach to their freight rate problem. I had wondered, in the light of the C.T.A. brief whether that great company and ourselves had not perhaps, by propaganda, whipped up the freight rate issue completely out of proportion. Had we not done this? The facts are there on the basis of revenue per ton mile. After all, while freight rate increases of 157 per cent have been authorized since the end of the war, the ton mile revenue on billets and blooms from Sydney to Montreal has only risen by 74 per cent. Perhaps, this would not be a cause of major concern.

Then I looked at the rates. In 1948, \$4.30 per gross ton. In 1957, \$10.02 per gross ton, a rise of 133 per cent. If concern over such an increase is emotionalism, if it is propaganda to be appalled at such a rise, then I am afraid we will have to be emotional about it.

Canadian trucking associations point in their brief to the growth of competitive rates. From this, at page 18 of the brief, the conclusion is drawn that because of the growth of competition a further shifting of the freight rate burden on the Atlantic and western provinces is impossible and that, therefore, the argument about regional imbalance and distortion in the rate structure due to an unequal distribution of the competitive factors is no longer based on facts.

Certainly, competitive rates have grown in the Atlantic provinces and we are glad of it; and they will continue to grow. But there is one thing one should bear in mind. There are vast differences between competitive rates when it comes to general freight rate increases. It is following a general rate increase that the man-sized competitive rates of Ontario and Quebec are separated from the boy-sized rates in the Atlantic provinces. A competitive rate is no insurance against general freight rate increases when you are in our part of the country. For instance, we compete in Montreal with Toronto producers in the sale of electric stoves. Our competitive rate into Montreal went up by 17 per cent last December; Toronto's competitive rate was not touched. We have kept track as much as possible of exemptions in the competitive rate tariffs of the railways both in the maritimes and in central Canada. We know from this check that we are mere amateurs in the maritimes, when it comes to escaping rate increases on competitive rates. I am afraid, therefore, that merely to point to the growth of competitive rates is not sufficient. The quality of these rates, their strength to withstand the onslaught of rate increases,—that is part of the real issue. On that test, we in the Atlantic provinces are sadly deficient.

Canadian trucking associations come to the conclusion, albeit for what we think is the wrong reason, that railway rates increased faster in the maritimes and elsewhere in Canada and that the average level of railway rates is higher than the national average. I respectfully refer you to page 25 of this C.T.A. brief in this connection. At page 26, the following page, the C.T.A. submission gives reasons for this discriminatory burden which has

been placed on the maritimes. I would like to quote from page 26. "The following conclusions are apparent:

1. Subsidized rail rate reductions in the maritimes, with their inherent weakening of the railways' competitors, did not divert the impact of railway rate increases.

2. The rail subsidy that has existed in the maritimes since 1927—about the year of the birth of intercity trucking—reduced the competitive force of trucking there and thus prevented the maritimes from enjoying a railway rate experience as favourable as that of western and central Canada."

The sole reason shown for the conclusion that the maritimes have the least developed trucking industry in Canada is a measurement of net ton-miles per capita in the various provinces. This is shown on the chart following page 25 of the C.T.A. brief. We wondered, of course, how valid such a line of reasoning was and I regret to say we believe the method used is not productive of meaningful results. I am making this bald statement on the authority of our own analysis of the bureau of statistics motor transport traffic statistics which underlie the C.T.A. conclusions.

We have prepared a statement, which is in your hands, which shows the net ton-miles by provinces for the trucking industry in 1957. If you compare the figures shown under the for-hire column of that statement with the figures shown on chart 7 in the C.T.A. brief, you will notice the figures are not identical. The printed figures filed by Mr. Magee two days ago referred to gross ton-miles.

I had an opportunity to speak to Mr. Magee about this matter. I do not know whether or not he agreed with me that gross ton-miles are not a proper index; but he was good enough to have the calculation re-run, giving the members of the committee the net ton-mile figures per head of population in addition to the gross ton-miles which were printed. There is still a difference between us, but that difference is due, I suspect, mainly because Mr. Magee took the intercensal estimates for 1957 as his previous figures and we took the census figure for 1956. I do not think the deviation is significant.

The general picture is not materially altered. I would respectfully like to refer you to the column marked "For-Hire" on this sheet. I would ask you to please look at the figure for Nova Scotia which shows that the province of Nova Scotia produced 150 net ton-miles per head of population in 1957. I would then ask you please to look at the province of Manitoba which, in 1957, produced 137 net ton-miles per head of population. The conclusion of this is relatively obvious. If rail subsidies indeed inhibit the development of the for-hire segment of the trucking industry, it is inconceivable that the rail-subsidized province of Nova Scotia should produce more net ton-miles per capita than the unsubsidized province of Manitoba.

But the method employed by Canadian Trucking Associations to measure the importance of the trucking industry in the various provinces is shown to be completely unreliable when we look at the private trucking segment of the industry. Private trucks, of course, are vehicles owned by a commercial concern which carry, without compensation, the goods of the owner of the vehicle. Our figures—and they are shown in column 1, private inter-city—show that New Brunswick produces more net ton-miles per capita of this type of trucking than the province of Ontario. I have lived in both provinces and I think those of us who are familiar with New Brunswick and with Ontario know that that is a *reductio ad absurdum*. There is no question about it.

Industry owns infinitely more vehicles in the province of Ontario than in the small province of New Brunswick with its widely-spaced small population centres producing practically no density of traffic.

I have shown the Farm truck figures merely to show that if indeed as we are told we are deficient in one segment of the trucking industry, it is with some pride we can look at the figures for a little province like Prince Edward Island in respect of the utilization of Farm trucks.

It does, in the light of these figures, seem impossible to say that the maritime trucking industry has lagged in its development as a direct result of railway subsidization under the Maritime Freight Rates Act. There is no direct evidence so far produced which would prove that a subsidy to the railways leads to an automatic decline of the trucking industry. For instance, despite the "bridge subsidy", which has been in effect for quite some years now, the growth of trucking between central and western Canada has been astounding.

I would respectfully ask you to turn to page 30 of the Canadian Trucking Associations brief and to the section numbered 3. The statement is made there that the highest rate increases occurred on the movements between the maritimes and central Canada—67.4 per cent from central Canada to the maritimes and 55.6 per cent from the maritimes to central Canada. The brief goes on:

Here, of course, truck competition is weakest, although the potential for development of the long-haul trucking industry is a good and a fertile field for the same interest by the maritimes transportation commission which the commission has displayed towards other aspects of the freight rate problem.

While I certainly believe and hope that highway transportation between central Canada and the Atlantic provinces will continue to grow, I cannot quite share the optimistic view inherent in the Canadian Trucking Associations' submission that all will be well with the maritimes when our provinces get more trucking competition. I do not expect much of our crude gypsum, our coal, our ore, our pulp wood to move by truck over the long hauls to central Canada, nor do I expect to see truck movements at reasonable rates on some of our requirements from central Canada such as ferro-alloys from Welland to Sydney or pig iron from Sault Ste. Marie to Sackville, New Brunswick.

While competition with the railways will undoubtedly increase with the St. Lawrence seaway as suggested at page 31 of the Canadian Trucking Associations' brief, we in the Atlantic provinces will not likely share in such benefits. As a matter of fact, we might very well find our net position to be less favourable as a result of such competition.

In essence, the stand taken by Canadian Trucking Associations is that the free play of competition between rail and truck is the best way of bringing about a satisfactory solution of the transportation problem in Canada and that competition is the answer to the admittedly disproportionately high transportation costs of the Atlantic provinces.

It is for this reason that Canadian Trucking Associations opposes Bill C-38 and I note that the brief submitted by the trucking industry quotes with approval statements made by counsel for the Canadian National and Canadian Pacific railways in 1955 to the effect that competition is the best regulator. I may be wrong, but to me it seems that the logical conclusion of the argument of free competition as the best regulator and that free competition might redound to the ultimate benefit of the public is to say that economic regulation of transportation should be abandoned altogether. That suggestion has indeed been made. It has been made in the United States where somebody has gone so far as to advocate the abolition of the Interstate Commerce Commission, which is the counterpart of the Board of Transport Commissioners in this country. That, as I am instructed, is not the view taken by the trucking industry of this country at all, nor of its provincial segments. In fact,

so far as I know, the trucking industry advocates control in some measure of its own rates and I do not think that it advocates the complete de-regulation of railway rates.

All this, of course, leads us far from the purpose underlying Bill C-38, but I felt that some remarks should be made by us on some of the matters raised in the most able presentation made to this committee by Canadian Trucking Associations. If I may now refer back very briefly to what I said at the outset, that as far as the Atlantic provinces are concerned and for the reasons we have tried to develop, we feel that Bill C-38 will grant the part of the country from which I come a measure of relief, which it would not be able to get in the absence of that bill.

Mr. CHAIRMAN: Thank you, Mr. Mann. Have the committee any questions to ask?

Mr. BROWNE (*Vancouver-Kingsway*): Well, I was just going to ask, first of all, if he did not think that perhaps it was a rather unfair inference in the Canadian Trucking Associations' brief when speaking of the emotionalism and relating it to the maritimes in particular. I feel that they went to some lengths in their brief in pointing out that the maritime rates have been on the basis of a subsidy for a great number of years, which it pointed out was \$12,500,000 in 1957. I quote this one sentence:

If railway subsidization was successful in achieving anything for the maritimes one would expect that the rate structure in the maritimes would be as favourable as for any other part of the country.

The facts prove this expectation wrong.

1. Railway rates increased somewhat faster in the maritimes than anywhere else—by 71 per cent in the maritimes as against 24 per cent in the west and 48 per cent in central Canada.

I think perhaps they were not accusing the maritimes of emotionalism when they pointed out that because of the lack of trucking competition in that area that rates had gone up faster there.

Mr. MANN: I think your point is extremely valid. The only thing I can say about this is that no distinction was made in their brief when it introduces this passage between the maritimes and any other part of Canada. In fact, there can be no distinction made. There has been no difference at all in the intensity or the tenor in which the Atlantic provinces have joined with the western provinces in the representations they have made both to the Board of Transport Commissioners and to the cabinet and to the royal commissions which have sat on the matter.

However, while I appreciate the courtesy extended to us, we would hate to abandon our right to this dubious distinction we have achieved of being labeled as propagandists.

Mr. BROWNE (*Vancouver-Kingsway*): Do you agree with the brief submitted by the Canadian Trucking Associations, that there is less trucking in the maritimes as a whole? They dealt with it as a region. What is your opinion of those figures?

Mr. MANN: I think the difficulty I would have in answering that, Mr. Browne—I certainly have no intention of being evasive in answering any question—the difficulty I would have would be to apply a quantitative factor to the answer. I do not know how to express less as less. I cannot tell you. I can say this, from observation you can certainly say and see that in the Atlantic provinces we do not have regionally owned enterprises which are on a par with the large carriers that you find in central Canada, such as Strathdee, Intercity or Motorways. Our enterprises tend to be smaller. It may indeed be that the smaller enterprise is more suited to the region or that

the history of our economic development has been such as to favour the small operator. It may indeed be that the existence of the small operator is a good thing. It is hard to say.

All these things stand in the way of my saying to you there is less or there is the same or there is more.

Mr. BROWNE (*Vancouver-Kingsway*): There is one other point which you made. It seems clear that the private operators seem to be a great deal more prevalent in the maritimes than, say, the for-hire operators.

Mr. MANN: I did not make that point.

Mr. BROWNE (*Vancouver-Kingsway*): I mean in the statistics you point out to us that this is the point that became apparent.

Mr. MANN: I said that, Mr. Browne, in the hope that I could show at least to myself, that to use the method used by Canadian Trucking Associations to measure the importance of the trucking industry in the various provinces by means of net ton miles per capita, is invalid.

Mr. BROWNE (*Vancouver-Kingsway*): What I wanted to bring to your attention in that regard, was do you feel that the effect of private operators would be the same as for-hire operators, they would not be in direct competition with the railways to the same extent that the for-hire would be, and that their effect might not show up on the competitive rates to the extent that a for-hire would. Therefore, it would not really be a valid comparison?

Mr. MANN: If I only had the prevalence of private carriers that these statistics indicate, I might agree with you but I do not think I have them. There is probably an explanation. It may indeed be that the net ton mile quantity is produced by the fact we have a few private carriers carrying ore. I do not know, I cannot tell.

All I am trying to do by compiling this exhibit is simply to show you cannot use that method used by the Canadian Trucking Associations to show the committee that subsidies destroy the trucking industry. That was the point of the statistics.

Mr. BROWNE (*Vancouver-Kingsway*): Would you not feel that if there were two forms of transport and one was getting a subsidy and the other was not, that there would be a principle there which would certainly tend towards one or the other?

Mr. MANN: It would appear to be so.

Mr. DRYSDALE: You made a certain point with considerable emphasis in your submission in regard to the non-competitive rates being an extremely high percentage. Perhaps I missed the point, but by virtue of the Maritime Freight Rates Act, 20 percent and 30 per cent, is not that just what you would expect the rates would be in competition?

Mr. MANN: No, I do not think so, sir. If that were so, then there would be no competitive rates at all and no agreed charges at all. We have a subsidy on potatoes, for instance, 30 per cent of that part of the haul which lies east of the Levis-Diamond Quebec boundary and yet there is an agreed charge on potatoes, both in New Brunswick and Prince Edward Island. That has been doubled, although perhaps there is some reason for a subsidy based on competitive rates.

I am just trying to clarify my own thinking. That act sets statutory rates in essence in the maritime provinces. If those rates were on a non-competitive basis back in 1927, would they not continue on that basis?

Mr. MANN: No, you can change them as conditions change.

Mr. DRYSDALE: But because of their relatively low level I guess they would not become competitive, would they?

Mr. MANN: They are not all that low. For instance, I have pointed to the lumber example. Let me go back to that for a minute. I have mentioned that the distance from Dalhousie, New Brunswick, to Montreal was within four miles of the central Canadian one at Val d'Or. If what you said held true, of course, our rate to Montreal should have been lower by the amount of the Maritime Freight Rates Act subsidy that applies on it. It is not so. The Maritime Freight Rates Act holds the rate down but it does not hold it down forever.

Mr. DRYSDALE: Has the Maritime Freight Rates Act developed a sacrosanct character as far as you are concerned? In other words, in this forthcoming royal commission would the attitude of the maritimes be that they would be prepared to abandon these statutory rates and perhaps have the board set a level and then decide whether a subsidy was necessary?

Mr. MANN: I would be very surprised, sir, if there would be one voice heard from east of the Levis, Diamond and Boundary that would advocate the abolition of the Maritime Freight Rates Act.

Mr. DRYSDALE: What is the viewpoint of your region with regard to the Crowsnest rates agreement? Do you think those statutory rates should be maintained?

Mr. MANN: We feel, of course, that the statutory rates system is the one great rate system that the western provinces have. So far, with all the discussion that has gone on about the grain rates we are still perhaps a long way from a complete factual analysis of it. I would refer you to the remarks made by the Turgeon commission, the royal commission on transportation, which I think said that after 10,000 man-hours expended by the Canadian Pacific Railway Company to prove the point, the conclusions were just not proper. Therefore, we cannot tell whether the Crowsnest rates are compensatory or non-compensatory and what should be done with them.

Mr. DRYSDALE: Perhaps I am taking a very naive view of the whole situation—

Some Hon. MEMBER: Agreed.

Mr. DRYSDALE: I am getting support from the farm delegation—but from an examination of the rate structure looking at it on an economical basis, it seems to me that the discussion of the Crowsnest and also the maritimes is very, very short of equitable, looking at the whole picture. I would emphasize that I am certainly not negatizing the idea of subsidy to the maritimes and also to the grain shipper, but I think we should have the rates put in on an equitable basis across Canada, and then if a subsidy is necessary, find out to what extent the subsidy is needed.

Mr. MANN: Mr. Drysdale, might I make a very clear and definite differentiation between the Crowsnest rate and the Maritime Freight Rates Act?

Mr. DRYSDALE: Yes, please.

Mr. MANN: The Crow rates are stable; they do not move. The maritime freight rates do move and have moved very rapidly. They are not inhibiting, to my knowledge, the board in the exercise of its functions. If they do, the board at least has never said so. I cannot see any way—I am subject to correction by the members of the board who are present—that the existence of the Maritime Freight Rates Act inhibits the board from discharging its proper functions in the disposition of freight rates.

The question arose briefly in the so-called 30 per cent case. We always seem to have deviations in numbers—the 30 per cent case became the 21 per cent judgment. In the 30 per cent case that question I believe, was settled once and for all.

We have never had any relief from general freight rate increases by virtue of having the Maritime Freight Rates Act. So there is a very definite distinction between an unchangeable rate and a changeable rate system such as the Maritime Freight Rates Act.

Mr. DRYSDALE: But you are happy with the Maritime Freight Rates Act as it is now?

Mr. MANN: No, we are not.

Mr. HORNER (*Jasper-Edson*): I just wondered if these figures in this table included the assistance from the Maritime Freight Rates Act?

Mr. MANN: No, Dr. Horner, the rates are taken from the waybill study and the waybill study publishes figures at the rate paid by the shipper. That rate does not include the Maritime Freight Rates Act.

Mr. CREAGHAN: First of all, Mr. Mann, in conclusion you made a statement on the net ton mile per head of population to the effect that the maritime trucking industry is not lagging behind the rest of Canada, or words to that effect. With that part of your statement I am inclined to disagree, in looking at the table.

In the first place on three headings you show Newfoundland and secondly, the only column I think is of any consequence today is the for-hire column. If I am wrong in that, please correct me. But the for-hire column would indicate to me the trucks that are for hire are in competition with the railways. The private inter-city is not in competition with the railways and the farm vehicle is not in competition with the railways. But if you confine yourself to the for-hire column you will find the maritime has eight, nine and ten places with the exception of Newfoundland.

If I am right that the for-hire is the column that is in competition I do not think your statement is correct, when you say the maritimes is not lagging behind.

Mr. MANN: Would you like me to answer that?

Mr. HORNER (*Jasper-Edson*): Those are your figures.

Mr. MANN: If I may answer it, there are a number of points you have made. First of all, with regard to Newfoundland you would expect Newfoundland to be at the bottom of the list, you would expect it to be at the bottom of the list because Newfoundland has, I believe, just about 290 miles of paved road at the moment. That is, I think, about 98 per cent of it—apart from the road from Corner Brook to Deer Lake on the west coast—98 per cent is in the Avalon peninsula on the east coast, where about one-third of the population of Newfoundland lives and where trucks are concentrated.

Therefore, what you have there is a series of short-haul movements, developing very few ton miles. There is very little distance. You would not expect to find any different figures as far as Newfoundland is concerned.

Also the total absence of truck-carrying facilities between Newfoundland and the mainland makes it rather self-contained in transportation.

The for-hire segment is by far the most important one in so far as competition with the railways is concerned, but it is not the only one. It is conceivable—as matter of fact, that private carriage is a very important consideration for the railways. Let me give you a theoretical example. For instance, if a refinery now ships its outbound products by rail tank car and decides tomorrow to put on its own fleet of trucks or to build a pipeline, the pipeline or the privately owned tank truck of the refinery becomes a competitive means to the railway.

The third column, the farm column, may or may not be important in our scheme of things. As I said, I put these figures together to see what I could analyse out of this very carefully prepared brief of the Canadian Trucking Associations.

Perhaps the relatively important index of our farm truck segment—and we lead Canada in farm truck utilization by net ton miles, Prince Edward Island first, Nova Scotia second and New Brunswick following not very far behind—it is possible that a lot of carriage that may be available for hire somewhere else is performed by the farmer himself. He will come to town and pick up something and take it back on his own truck, something that would ordinarily under normal circumstances come within the for-hire segment.

Does that answer your question?

Mr. CREAGHAN: Yes. I have another question on this same table. I am wondering if the fact that the Canadian National Railways has been gradually abandoning lines in the maritimes, would be any reason for the increase in the second column, private inter-city. In other words, the poor Canadian Pacific or Canadian National service within the maritimes would automatically leave the field wide open for inter-city trucking, and in that case you have got the maritimes in pretty good shape in so far as New Brunswick and Nova Scotia is concerned—New Brunswick in particular.

Mr. MANN: It may be possible that that is the case. I should think that it would also be reflected in the for-hire segment because the vacuum created by the abandonment of a train line is quite often filled by the extension of for-hire service; in fact, the increases in for-hire services are often precedent to the abandonment of the branch line.

Mr. CREAGHAN: Do you know whether these figures include mileages put in by Smith Transport and railway subsidiaries, or is it private interests inter-city?

Mr. MANN: Frankly, I do not know what they include. I would not think that Smith Transport is classed as a private trucker. It could be a private domain of Canadian Pacific, but I would think it would come under the for-hire segment.

Mr. HORNER (*Jasper-Edson*): My question was referring to Mr. Mann's remark on the Turgeon report, stating that they could not go along with the railroads on their argument that they were losing money on the Crowsnest freight rates on the movement of grain. I was wondering whether he would agree, as the Alberta wheat pool has maintained quite steadfastly, that the Canadian Pacific has never proved that they have lost anything by moving grain under the Crowsnest rates. I wondered if he was in agreement with that statement.

Mr. MANN: I think this is something along the lines, Mr. Horner, of what the Turgeon Royal Commission said. I am looking for the passage now.

Mr. HORNER (*Acadia*): That is the point I wanted to bring out, because there is a continual reference to the Crowsnest rate as a subsidized rate. And if they have never proven that it was, I do not see how they can refer to it as being a subsidized rate.

Mr. MANN: Here it is it. Let me quote from page 244 of the Royal Commission on Transportation of February 9, 1951:

No useful attempt could be made to test the accuracy of this assertion within reasonable bounds of time and expense. The problem implies the determination of the costs attributable to the handling of a particular commodity, or the performance of a particular service, by a railway which handles a great variety of commodities and performs services of many kinds. Nevertheless, the Canadian Pacific Railway

company, while admitting the great difficulty of the task, endeavoured to furnish the commission with an approximation of the cost of transporting the western grain crop. For this purpose a study was submitted by the company which, it was said, had required in its preparation the application of more than 10,000 man-hours (4 man-years). The year selected for this study was 1948.

It is probable that this study, which the company's officials prepared with the expenditure of much time and the application of great expert knowledge, contains information which the company will find valuable for its own purposes. But the difficulty of the task undertaken is shown by the fact that, after applying to the problem the formulae, which appeared to them the most appropriate, the company's experts could arrive at no more definite conclusion than that stated in the company's brief: "Therefore, while the exact dollar deficiency from the Crowsnest grain rates in western Canada is not available, it will be seen that it is somewhere between \$13,769,000 and \$16,947,000". And the time taken and the skill employed in arriving at this indefinite result covered the operations of only one year (1948). The study does show a minimum deficit of a high figure; but it is not possible to say what might be the product of the application of some other formulae asserted to be more accurate.

I think that is sufficient to cover what you had in mind, Mr. Horner. As far as we are concerned we do not know. There may be some merit in the fact that they are not compensatory, or there may not be any merit in it.

Mr. DRYSDALE: Let me quote from the *Toronto Saturday Night* for April 11.

One calculation of the effect of these grain rates is that if they had been increased between 1914 and 1948 by only half as much as other rates have been increased, Canadian Pacific would have collected in the year 1958 alone \$58,000,000 more than it did. It is almost impossible to calculate how much grain shippers have saved altogether in the 60-odd years since this agreement was made.

But what the railways emphasize is that they have to get the money to operate from somewhere, and in fact what is saved by the grain growers has to be paid by other shippers.

My point is this: when I keep raising this particular point about the Crowsnest pass rates, I am not arguing one way or another as to whether the Crowsnest rates are entitled to a subsidy. But it seems to me to be logical that if the rates are supposed to be on an equal basis across Canada, then if they want to subsidize them by \$58 million, I think we ought to see just what subsidy we are putting into it.

Back in 1897 it has been said that the Canadian Pacific Railway knew what they were doing at that time. Perhaps they did. But they also tied in the Canadian National Railways in the same agreement, when they did not participate in it. It keeps striking me that at least logically we should investigate the Crowsnest pass rates and the maritime rate increase and if a subsidy of only \$12 million, or a subsidy of \$58 million is required, let us see just what we are paying for.

Mr. MANN: May I again repeat the point which I made earlier that there is no similarity whatsoever between the Maritime Freight Rates Act and the Crowsnest pass rates.

Mr. DRYSDALE: I am not trying to make them comparable. I am only trying to anticipate. This is a sort of junior freight rate commission which is sitting now. We seem to be getting a preview of what will appear before the royal commission later.

I am sure that the commissioners are quite interested. And by mentioning this point I am trying to inject ideas or suggestions as to things which might possibly be covered when you get into the big commission.

Mr. MANN: Within the framework then of this junior royal commission, please allow me to say again that the railways do not lose one cent by virtue of the Maritimes Freight Rates Act. However, the view might be expressed that the railways do lose money under the Crowsnest pass agreement, but they do not lose money in connection with the Maritime Freight Rates Act. In fact, I would venture to suggest that if it were not for the Maritimes Freight Rates Act the railways would lose money, because if it were not for that act, some of our traffic which just manages to pass over this competitive hump—that traffic would dry up, it would never leave home.

Mr. DRYSDALE: As far as the railways are concerned it does not matter to them where they get the revenue, or whether they ship grain from western Canada for the rest of the people in Canada, or whether they raise the rates by a tremendous volume. They require a certain amount of money and they get it. It would appear logical that if the railway was getting revenue in a sort of equitable basis across Canada that the organization or groups such as the farmers receive their subsidy direct, and that there should be this equitable basis. We can see what this group is receiving from shippers perhaps in other parts of Canada. I know it does not affect the railways at all. They will get whatever millions of dollars they require, and it does not matter from what section of the economy it comes.

Mr. MANN: If I recall the part we took in times past, if it was proved that the Crowsnest pass rates were non-compensatory, then our part of the country at that time said it was agreeable to the payment of subvention to the railways to make up for the loss, if such loss had been established.

Mr. BELL (*Saint John-Albert*): May I refer to this problem to which Mr. Roberts alluded yesterday. You mentioned an example, a situation whereby a lumber shipment from Val D'Or to Montreal, and from Dalhousie to Montreal were similar, and that the 17 per cent increase was applied to both of them. Did the railways refuse you a rate from Val D'Or to Montreal to put our shippers from Dalhousie to Montreal at an unfair advantage? Now, what prompted the railways to do that? Was it done at the instigation of the shippers at Val D'Or, and did our shippers at Dalhousie apply for a similar reduction? I am assuming they were both competitive rates to begin with.

Mr. MANN: If I may say so, even in this field there are always some exceptions. If you have a situation where—I am giving this theoretically, because I think it will explain it better—you have our commodity rate and the Val d'Or rate to Montreal has a commodity rate before the 17 per cent increase, and they both take the 17 per cent increase and then the Val d'Or rate to Montreal is held down by the railways—the 17 per cent increase is taken off—the Val d'Or rate would be transformed into a competitive rate. If it had been so transformed into a competitive rate from a commodity rate, it would not be eligible for the subvention contemplated by bill C-38.

Why was it transformed into a competitive rate? It might have been transformed into a competitive rate because the shippers at Val d'Or went to the railways and said to the railways, "if you do not take the 17 per cent off, we will either buy our own trucks or we will ship by truck". If they can make a satisfactory case with the railways that would convince the railways that competition, either actual or potential, exists, then the railways would do something about it, and presumably the removal of the 17 per cent increase from the Val d'Or rate indicates that the railways must have satisfied them-selves that the traffic was subject to competition erosion.

As to the Dalhousie shipper, he has, of course, the same means at his disposal. Efforts have been made to convince the railways to reduce the rate. As a matter of fact, we are negotiating on behalf of the Maritime Lumber Bureau at the moment with the railways to do something to restore this balance that existed before the 17 per cent increase. There are many factors in these negotiations. I am sure you would not want me to go into them in detail now. But that is just roughly what happens; the competition pressure on commodity rate traffic might make it subject to a transference into the competitive category, which would take it out of the purview of bill C-38.

Mr. BELL (*Saint John-Albert*): What did Mr. Roberts mean when he said, "We like to move as fast as we can on this"? Surely he is saying competition theoretically exists after the 17 per cent increase, as existed before?

Mr. MANN: Not quite. There is always this, and this is where we talk about attrition factors. If you have a general rate increase of a small percentage—say, one per cent—the volume of traffic which would, by virtue of that increase alone, make the traffic more subject to competition would be very small. But if you have an increase in the order of 17 per cent you are creating an umbrella for competitive carriers and more traffic than under the one per cent increase would become subject to competition erosion.

Mr. BELL (*Saint John-Albert*): You mentioned another example, electric stoves, and that is exactly similar, really?

Mr. MANN: I was trying, with that example, to do simply this, that to point to competitive rates statistically in regions is a matter which is interesting, informative and valuable; but there is one element missing, and that is the element of the effect of the competition.

If I have a competitive rate and you have a competitive rate, my traffic may be less subject to competition than your traffic, so therefore the increase might be put on mine. But if it were put on yours, your traffic would be less.

Mr. BELL (*Saint John-Albert*): Have you other examples of discrimination in this way whereby the railways rates—

Mr. MANN: Yes, we have a lot of them. We find, for instance, on canned goods to Montreal from Middleton our traffic moved on class rates. We are increased by 17 per cent. The Leamington canner moved under an agreed charge and took no increase at all. We had a differential against us of 23½ cents per hundred pounds. We now have 60½ cents to absorb, on the Montreal market.

I mentioned the electric ranges. The differentials there have increased from 64 to 83, which our shipper has to absorb. We have iron and steel from Sault Ste. Marie to Orillia, for instance, which was increased slightly. Ours took the full 17 per cent increase.

Mr. BELL (*Saint John-Albert*): Then do I take it from that there is widespread discrimination?

Mr. MANN: I would think so.

Mr. BELL (*Saint John-Albert*): Mr. Chairman, I think that is a very serious matter, because that leaves a virtual discretion at the hands of the railways to nullify a 17 per cent increase on shipments within central Canada, and the outside shippers in the maritimes are faced with this extra competition. And even this subsidy bill that is before us now only reduces down to 10 per cent the effect of it. They still have the competition to meet. But the shipper in central Canada has the whole 17 per cent in some cases now.

Mr. MANN: As I mentioned earlier, Mr. Bell, we made a tabulation of exemptions from the 17 per cent increase in central Canada in the Canadian National Railways competitive tariff, and we made the same tabulation in the equivalent C.N.R. tariff for the maritimes. There is no question about this, when

you look at the items, when you think of the vast tonnages and the high value freight that moves between what we call the trailer van and incentive rate circuit of Montreal, Toronto, Hamilton, London and Windsor that has been totally exempted, practically, and when you compare that with the few exemptions which we have on our competitive traffic—mainly petroleum products; in fact, almost exclusively so. There is no question that although we have had exemptions from the increase due to competition, the competition in our part of the country just is not strong enough and we just do not get the same kind of treatment. We cannot escape general increases, such as central Canada can.

Mr. BROWNE (*Vancouver-Kingsway*): I think you have a very valid point there. You have said that competition can get one rate down, but it does not get the other one down.

Mr. MANN: That is right.

Mr. BROWNE (*Vancouver-Kingsway*): You have also shown that even though the maritime freight moves under a subsidy, the subsidy has not kept it down. Does that not bring the problem to this? What we are faced with is ever increasing subsidies, so providing more competition, and undoubtedly continuing increase in those subsidies? Is that not going to keep competition from ever getting anywhere?

Mr. MANN: I think that is a very valid point. There is one ingredient missing in the mix. When you can get a city of 1,500,000 people removed 334 miles from a city of 1,700,000 people, I think we would have competition. I do not know whether you are familiar with the maritimes, but we have a small concentration of 85,000 people in Saint John. I hope I am not going to be resented when I say there is very little between Saint John and Moncton, and in Moncton,—this is not a qualitative analysis; this is a quantitative analysis—we have 42,000 people, I think. We have 200 miles from Moncton to the largest concentration in eastern Canada in the maritimes, 165,000 people.

Mr. BELL (*Saint John-Albert*): Do you not feel that we have to accept our geographical positions? I do not think they can be overcome. That would apply to anywhere. We have to realize that there is going to be a further cost on transportation in those cases.

Mr. MANN: Yes, quite; but what you asked me was, what competition would bring about—the millennium. The thing is, can we have the kind of competition that brings the semi-millennium in central Canada now? That is the point. The cause, the intensity of it by the demographic situation does not exist.

Mr. BELL (*Saint John-Albert*): If we added a further subsidy, how could that competition ever get there? Would it not perpetually get worse and worse? We have been shown that it has acted to the detriment now, and it will go on further.

Mr. MANN: I was hoping I had made it clear that I did not think the Maritime Freight Rates Act subsidy has had an inhibiting effect on the maritime industry.

Mr. BELL (*Saint John-Albert*): In these examples which you gave, Mr. Mann, you said we received a reclassification in petroleum products. Did you have to give examples of other competition, such as truck competition, to the railways, to get this reclassification and the resulting reduction of 17 per cent?

Mr. MANN: It was not a reclassification. We had a competitive rate before, but the competition with this product was strong enough to prevent the railways from increasing the rate; it was a competitive rate not increased.

Mr. BELL (*Saint John-Albert*): In these reclassifications, changes or reductions which the railways have made in central Canada and by which we have tried to prove they have discriminated against us, do you think in your opinion they just sit and arbitrarily decide these things?

Mr. MANN: I would think that they must have satisfied themselves and, since the board has not disallowed any of these rates, presumably the board—I think that is going too far—the rate has not been challenged and, therefore, it must be presumed that competition actually or potentially exists unless the board rules otherwise.

Mr. BELL (*Saint John-Albert*): In your remarks you said we are amateurs in the maritimes in respect to this matter; and then you say their strength to withstand the onslaught of rate increases is a real issue. I feel it goes to the root of our case in the maritimes; and I recognize Mr. Browne's point very seriously that truck competition may be more of an answer than it appears at the present time, except the population and geography that has been mentioned.

Mr. MANN: Well now, the situation is as you mention there. The intensity of competition between the two carriers is an issue which should not be overlooked, because it is that intensity that determines whether a rate can go up or whether it cannot go up. A situation may be competitive but only weakly so. It may be such a situation that if the railway increases its rate by X per cent and it knows that the trucker will also increase his rate by X per cent, the railway would go ahead and do it. If, however, the situation is such that an increase of X per cent will lose the traffic to the trucks, the railway will not increase their rates. Now, the point I was trying to make was while there are agreed charges in our area and the C.T.A. point out how they have grown; while there are competitive rates in our area, that any difference is not enough of an analysis; it must be shown also whether or not these competitive rates can be increased following a rate increase. So the quality of the strength of the competition determines what happens to it. I do not know whether that answers your question.

Mr. CROUSE: From your remarks, it would appear it is almost impossible to have a national transportation policy. These problems are being dealt with at the present time by the transport commissioners on a regional basis, making changes where it suits them, and leaving the rate increase applied to the maritimes and to the west and we are penalized accordingly due to our position.

Mr. MANN: I think the conclusion might be drawn that in effect what we have now is a regional system. It might also be suggested that perhaps a national transportation policy for Canada must consist of a series of regional terms.

Mr. CROUSE: Is it possible to get any figures on the reductions that have been made for various reasons since the 17 per cent increase?

Mr. MANN: Oh, yes.

Mr. CROUSE: I mean the total number, or something like that, that would give us an indication that there has been a greater number made since this increase than there would have normally taken place during a year of operation.

Mr. MANN: I do not know whether we can do it on that basis; but what can be done is to make a comparison of two equivalent tariffs, one for central Canada and one for the maritimes and list the items in each of them that have been exempted from the 17 per cent increase. You will see from a listing that the number of commodities included in the exemption from the 17 per cent increase in Ontario and Quebec is in excess to those that have been exempted in the maritimes.

Mr. DRYSDALE: What do you mean by exempted; was there not an over-all 17 per cent increase?

Mr. MANN: Yes, of course.

Mr. BELL (*Saint John-Albert*): But they were exempted later.

Mr. MANN: When the board issues a judgment and authorizes the railways to increase rates, their judgments are permissive. In respect to competitive rates, the board does not issue a judgment. The competitive rate is within the discretion of the railway.

Mr. DRYSDALE: Yes, I understand it now.

Mr. HORNER (*Jasper-Edson*): I wanted to ask Mr. Mann if that exemption with regard to these rates also applies to western Canada; in other words, there have been exemptions in western Canada on the recent 17 per cent increase.

Mr. MANN: Yes.

Mr. HORNER (*Jasper-Edson*): But not nearly as many as in central Canada.

Mr. MANN: I do not think so, but I am not qualified to answer.

Mr. HORNER (*Jasper-Edson*): You did not make a study of that when you did the other?

Mr. MANN: No. I am sorry to be so parochial but we did not.

Mr. HORNER (*Jasper-Edson*): There should be a statement made to clear up the record in regard to our British Columbia transit. We feel the Crowsnest rates should stay statutory so people cannot monkey with them; and we feel the Canadian Pacific Railway has been adequately subsidized by the assets which they received and the returns from those assets.

Mr. CREAGHAN: Mr. Chairman, I think the answer to the question I am about to ask should be given by either Mr. Knowles or Mr. Kerr. Apparently there has been a lot of concern yesterday and today over the fact that the railways put the 17 per cent on and then in many areas reduced or eliminated it. You used the word "permissive". Is it compulsory for the board to put in the word "permissive" in its judgment or could it not say "keep uniform" and make everybody in Canada absorb the increase? Could the board in its judgment say that the railways shall put it on across the board and extend it to agreed charges and private contracts so that every shipper would share the increase and it would be much more acceptable to the country as a whole?

Mr. BROWNE (*Vancouver-Kingsway*): If they did that they would lose business to the competition.

Mr. KNOWLES: I think that is a legal question with Mr. Kerr had better answer.

Mr. CREAGHAN: I directed it to the three of you.

Mr. KERR: One of the members here said that might result in the railways losing the traffic. If the board compelled them to put in a rate of 17, 20 or 10 per cent increase and the shipper will not ship it that way, should we as a board put in a rate that will not move the traffic? It would be a cheaper rate and would not mean anything.

Mr. CREAGHAN: The companies come to you with a request to raise their rates 20 per cent, they build up a good case that they need it to keep in business, and you grant them permission to do it rather than order them. Then what they do is, instead of coming back to you every three years they come back every year and the minority of the people in Canada are paying it. A few people are paying the burden of these series of increases since 1948 and I think it is unfair to the people of Canada as a whole.

Mr. KERR: Whatever powers the board may have, it will not compel the railways to carry a rate which will not move the traffic. The rate would not be any good to them.

Mr. CREAGHAN: It might keep them from coming to you every six months.

Mr. KERR: They would not make a profit and would not have any traffic to carry. They might get some profit at a lower rate, but not at a rate which will not carry traffic.

Mr. CREAGHAN: Is that not what the railways have been doing over a period of years? They have been putting in a series of increases on a minority of the people and not on all the people and as a result of that competition has grown up in the preferred cargo and the truckers are going after a certain type of cargo, and the railways are leaving that alone and gradually going to the outlying areas like the coal producers or the maritime shippers probably to the detriment of the whole country.

Mr. BELL (*Saint John-Albert*): Do you have any figure available which will show that the deductions, or elements of the 17 per cent increase after its effective date in central Canada, have been abnormal or out of line with the general charges to competitive traffic which would normally take place during a similar period?

Mr. KNOWLES: We do not have any such figures. I could not tell you. However, my impression is the railways have only taken the 17 per cent increase off here and there where they were compelled to do so by competitive conditions.

Mr. BELL (*Saint John-Albert*): I was going to ask for clarification of the matter about which I was asking questions this morning. I understand there is an official from the Department of Transport here. It was along the lines of the interdepartmental committee—the four civil servants who are working on rates and reporting to cabinet. I understand that is only for maritime freight rates.

I further understand there is a committee of the cabinet headed by Colonel Brooks, which is dealing with the entire freight rate problem and in particular this legislation.

The CHAIRMAN: Mr. Darling from the Department of Transport is here and he may wish to answer your question.

Mr. H. J. DARLING (*Chief, Economics Division, Department of Transport*): The only aspect in connection with the freight rates in which this departmental committee is engaged is the study of the possible changes or revisions in the structure of the maritime freight rates legislation.

At the time that this investigation of the interdepartmental committee was announced, an interim solution was made by increasing the subsidy from 20 to 30 per cent, and the committee was charged with the duty of seeing whether or not that was adequate or should be in any way revised or other changes made in that. The other aspects of the committee's work are not directly concerned with freight rates.

Mr. CROUSE: If we had competition in the east and west, to what source would the railroad then look for their revenue? I think this is important because we are apparently being charged the full effect of this increase while the central provinces which have the ability to pay are being let go, as we would say in Nova Scotia, scot-free.

Mr. MANN: Of course, that is one of the crucial points of this whole problem. Where would they go? I do not know and no one does. You might have various ways of meeting it. You either subsidize the whole affair or make sure the railways get a share of the traffic by regulating the other carriers. There are various ways of meeting it.

Mr. DRYSDALE: I would like to ask Mr. Knowles a question. I am going around the big circle and perhaps am getting back to the questions I asked previously. The thing which mystifies me on these base commodity rates is when the 17 per cent increase was granted I would assume there would be X number of shippers coming under these class and commodity rates benefitting from the 17 per cent. We could take an arbitrary figure, say 50,000 shippers. You apparently evolve a figure of \$20 million to assist shippers who were still paying the 17 per cent rate at the time this legislation comes into effect. Have you any idea at all as to what number of shippers will benefit, because I cannot understand how the figure of \$20 million was evolved. Has it gone down to, say, 25,000 shippers getting the benefit of the 17 per cent rate, less the 7 per cent, which would, in effect, be the 10 per cent rate?

Mr. KNOWLES: We have no idea what number of shippers used the increased rates. You will find generally that the same shippers who were using the normal rates are also seeking some competitive rates also. I would say any large business uses every kind of rates and some of their shipments will go in the ordinary class rates and commodity rates, and other shipments will go at competitive rates and other shipments at agreed charges.

I wish to say that the board did not arrive at the \$20 million figure. That is a figure set by the cabinet. I do not know how they did it. They said we are going to give you \$20 million and we want to throw that back on the highest rate traffic.

Mr. DRYSDALE: Well, the thing, you see, that bothers me particularly about this, if we do not really know what the basis was, is that I can see if they base it on my hypothetical figure of, say, 50,000 shippers of the initial 17 per cent who would have this \$20 million benefit, then if through the competitive factor as it went down to 25,000 shippers then we could see where we could give them the same 7 per cent advantage for only \$10 million. I am only trying to save the taxpayer some money.

Mr. CREAGHAN: It would only be 10 per cent, then.

Mr. BROWNE (*Vancouver-Kingsway*): Mr. Knowles explained to the committee that they took the amount of freight moving under these rates and made an estimation of what would be lost—attrition, as they described it—and calculated to what amount the subsidy would go, and it came out to 7 per cent.

Mr. KNOWLES: That is correct. Our information shows that there is about \$248 million worth of traffic which came under the 17 per cent increase. After allowing for attrition on that traffic there is \$248 million left. Now, 7 per cent of that is within one-quarter of a million dollars of \$20 million. We do not know how many shippers there are paying the \$248 million.

Mr. DRYSDALE: That is my problem.

Mr. KNOWLES: I cannot tell you, but I think they would be the same shippers. The same shippers would get the 7 per cent reduction as are paying the 17 per cent increase.

Mr. DRYSDALE: You have no idea where it is concentrated: quite easily a few shippers or a tremendous number. You have no idea. That is what I am trying to ascertain.

Mr. KNOWLES: It must be a very large number of shippers. There are 56 per cent of them in western Canada, 26 per cent in central Canada and 16 per cent in the maritimes, according to our waybill study of the way this traffic is made up in the provinces.

Mr. McPHILLIPS: I would like to ask Mr. Knowles if the Board of Transport Commissioners has checked to see that the railways are still being compensated for the costs they incur after they take this 17 per cent off?

Mr. KNOWLES: If we think the rates are still compensatory after they take the 17 per cent off?

Mr. McPHILLIPS: Yes.

Mr. KNOWLES: No, we have not made any investigation on that except we have one case under investigation. This matter has been mentioned here twice. We have two complaints about the reduction that has been made on lumber for northern Ontario and Quebec. We have called upon the railways to give us this information. That is under investigation at the present time. I cannot say anything more about it because it is sub judice and we do not want to say anything more about what we are going to do or what we will do. That particular complaint that has been mentioned here is under investigation and that is as far as I can go.

Mr. McPHILLIPS: It would be quite possible then for the railways to be hauling certain traffic in central Canada below cost?

Mr. KNOWLES: Well, you come to the question of what it costs in the first place. I do not think so, because their average return is about two cents per ton mile and that is half a cent per ton mile more than the average of all traffic, 1-1/2 cents per ton mile. I do not think they are losing any money on competitive traffic, at all.

Mr. KENNEDY: May I ask Mr. Mann if there is any indication or trend, in the maritimes regarding the forthcoming opening of the St. Lawrence seaway?

Mr. MANN: Yes, Mr. Kennedy. You want me to mention something about the effects of the St. Lawrence seaway?

Mr. KENNEDY: Yes.

Mr. MANN: Well, we have had one indirect effect as affecting our transportation as such. As a direct result of the opening of the St. Lawrence seaway, the price of feed grades of wheat has gone up to the Atlantic consumer. That is one direct result of it. This indirectly has resulted—there is a connection there—in an increase of 15 cents per hundred in the price of flour to maritime consumers.

The VICE CHAIRMAN: Does that answer your question, Mr. Kennedy?

Mr. KENNEDY: Yes.

The VICE CHAIRMAN: Are those all the questions we have of Mr. Mann? Thank you very much for your presentation, sir.

I would ask permission of the committee to have these charts that Mr. Mann has given to you printed as an appendix to the proceedings of today. Is that agreeable?

Agreed. (See appendices A and B).

The VICE CHAIRMAN: We have one more witness, gentlemen, and that is Mr. Frawley from the province of Alberta. He has a very short presentation, he says. We do not want to leave out any of the regions.

Mr. J. J. FRAWLEY (*Counsel for the province of Alberta*): Mr. Chairman and members of the committee, I would not be here speaking to you at all except for the fact that we were invited and it was more or less intimated to us that the provincial governments would answer Mr. Magee's representations.

I repeat again, I have no instructions from the government of Alberta with respect to this bill. We certainly should be satisfied with the bill. We were certainly not the most silent of the provinces that clamoured for some treatment of this kind, so that we have nothing at all to say by way of objection to this bill except to say in passing that it leaves us with a 10 per cent increase in freight rates which is just as discriminatory, just as unfair in its application

to western Canada as the 17 per cent that was authorized by the board. As long as the Minister of Finance tells us that he can only let us have \$20 million then I think what has been worked out is a very fair way of spending the \$20 million. Speaking personally I want as little tinkering with that \$20 million as is possible.

I am here to object to Mr. Magee's presentation because he said he does not want this bill passed. I want it to pass and I hope to be able to tell you in a very few minutes, why I think some of the things Mr. Magee said are unfounded. If I did not speak at all it might be, thought or implied that I supported Mr. Magee.

I think I should say, though, that I find it rather embarrassing to take sides against Mr. Magee. It is rather notorious that the climate in Alberta is very favourably disposed towards the trucking industry. We do not discourage the truckers. There is good reason for that. We think a strong, virile trucking industry particularly in long-haul traffic is a very fine thing for the freight rate structure. We have been fighting the battle of the truckers—I think that is not too strong an expression—for quite some years because we are afraid that through the medium of Agreed Charges which are growing at a surprising rate, that it could very well be that the trucking industry will be knocked to its knees. We do not want that in Alberta.

That is why I say it is a little embarrassing to have to part company with Mr. Magee. However I am sure he knows that after this is finished we will resume the friendship we have always had.

Mr. Magee said that we have only had a 58 per cent increase in freight rates. Because the time is short, I will not say very much about that because Mr. Mauro and Mr. Mann dealt with that. I know to the contrary, of course. I know that some traffic, not all the traffic—that is all, really, that Mr. Magee said—but I know that some traffic in my province has paid 157 per cent more and is now paying 157 per cent more than was paid on April 6, 1948. I have here a statement of freight rate increases which we filed with the cabinet last November.

All Mr. Magee is saying is, that when you mix it up, when you take all the revenue which the railway earns, the short-haul revenue which is high per ton mile, the long-haul revenue which is low per ton mile, the sand and gravel which is low per ton mile, the boots and shoes which is high per ton mile, when you mix it all up you come out with the revenue per ton mile. The Canadian Pacific Railway's revenue per ton mile in 1957 was 1½ cents and the Canadian National Railways' was 1.6 cents. That does not mean anything to the committee in my respectful submission, it does not mean anything to challenge the veracity of the statement that some of the traffic has paid 157 per cent. That, after all, is the crux of the case we put before the cabinet.

We put to the cabinet that because all the traffic did not take freight rate increases the situation had reached a completely intolerable situation.

I would like to say—because Mr. Magee said we went to the cabinet crying for a subsidy—we did not. We went to the cabinet to submit that the situation as disclosed in the railways' own exhibits has now reached a stage where we have got to the end of the road in western Canada, in any event, and in the maritimes. We wanted no more freight rate increases until there had been a complete re-appraisal of the freight rate structure. That was the primary position we put to the cabinet: "We want a re-appraisal of the freight rate structure. If in the meantime—because next Monday morning a strike is coming—you have to do something with this 17 per cent that has been authorized, and that is pretty obvious, this has to come out of the privy purse" and that is where the cabinet took it from.

They also said "We will give you this thorough re-appraisal of the freight rate structure". That is what Alberta wants. I challenge Mr. Magee more for what he said regarding distortion—to which I am now going to refer—than I do for his statement that we are not now paying 157 per cent more than we paid prior to April, 1948.

I object to what Mr. Magee said at page 15 of his brief. He said:

If we could go beyond the national figures on the amount of freight rate increase and ferret out the actual increase in the railways' revenue per ton mile by regions and between regions of Canada during the past decade we would have authentic facts about the alleged "imbalance" and "distortion"—.

He put those words in quotation marks and I would not be surprised he took them perhaps from the brief we submitted to the Board, or to the cabinet:

—in the freight rate structure on which the eight provincial governments expressed themselves so eloquently—

I assert, gentlemen, that there is distortion in the freight rate structure and it is that distortion that took us to the cabinet. When you have the admission on the railways' own figures that 75 per cent of the increase which they are seeking is going to be extracted—and I use that word extracted in its full meaning—from 35 per cent of the revenue, that is the Canadian National. I am looking now at the Canadian Pacific picture—this is Canadian Pacific's own exhibit 58-22 which you will find reproduced in full in the judgment of the Board—when you have reached a situation in the freight rate structure where 73.53 per cent of the increase that you are asking from the Board must be taken from 32.03 per cent of the revenue, then I say it is certainly not only time for a halt but it is almost too late.

We should have had a halt long before because it is not only this last 17 per cent increase that should be criticized on this same ground of unfair application but the last one and the one before that and the one before that.

For several years now the railways have been extracting from the normal rates—those rates to which the government of Canada has now sought to give some relief—the railways have for years been extracting from those rates the full measure, almost the full measure of the freight rate increases that they go to the board periodically to obtain. So much so that speaking for Alberta I am no longer concerned in opposing the railways' cases to the board for a freight rate increase. I will confine my opposition to the way in which they are going to take the increase from the people, because they are taking it from my people in a very unfair and a very distorted way. This statement shows that grain and grain products represent 9.38 per cent of the traffic. If you are looking at Exhibit 58-22 you will find the dollars but not the percentages. The document I have in my hand is a railway exhibit on which I have worked the percentages and grain and grain products represent 9.38 per cent of the revenue and takes no increase. Then you find international, overhead and other traffic related to that traffic represents—29.62 per cent of the railway's revenue, and you find that takes no part of the increase. I am speaking of Canadian increases. You find that coal and coke takes 4 per cent but competitive rates which represent 12.32 per cent of the revenue is allegedly going to take 17.6 per cent of the increase. I stop there and say that is a figure which you have to query, because they hope to put 17 per cent of the increase on competitive rates. They would be put on to start with. No, I cannot say that. Actually, in connection with the last case there were some segments of the competitive rate structure that they did not put any increase on at all or even endeavoured to.

They went out to western Canada two years ago and put on very, very low truck competitive rates out of Winnipeg—the so-called incentive rates—the incentive being to try and get some of the traffic the trucks had taken from them. They put in a very low level of rates and they did not put on any of the 17 per cent, they did not attempt to put any of the 17 per cent increase on them. The competition was such that they could not.

We now come to agreed charges. They represent on this document $11\frac{3}{4}$ per cent of the revenue and it is more now. They are taking—and it is amusing, I worked out the percentage largely for the purpose of looking at it, agreed charges are going to take 1.75 per cent of the increase, and that is only because in a few agreed charges there are escalator clauses and those will take any authorized increase. In the case of the Canadian National they estimate that they will get from the agreed charges .8 per cent—eight-tenths of one per cent of the increase. So for practical purposes agreed charges are out in so far as increases are concerned.

Then, we come to the hard core of the freight rate structure, which is called "all other freight traffic" in the railway exhibit. Those are the normal class and non-competitive commodity rates, which are the subject of this bill. They have now shrunk as of the date of this exhibit 58-22 to 32 per cent. That is the traffic which the railways say must take three-quarters of this increase.

Is it any wonder that these "emotional" provinces said that the time has come when we want a complete halt. I am bold enough to think we made a pretty good case to the federal government and I will go further—this is only my opinion—that if there was not a strike coming the next Monday morning we would not have had any part of that 17 per cent allowed to come into effect. "All right," the government would have said, "here is your re-appraised." But obviously they could not do that. Mr. Mann's statement that he made at the conclusion of the case pointed out that. We did not go in there asking the government not to give these railway workers their wages. I think they understood precisely what we were saying.

When Mr. Magee says there is no distortion in the freight rate structure I could talk for a much longer time than you would be willing to listen to me. I will just give you a very few examples. I wonder whether Mr. Magee thinks it is distortion when a farmer in Alberta finds that he has paid a freight rate increase of 157 per cent on his farm machinery over April 1948 when the farmer in Ontario, buying from the same factories in the United States has only paid a total rate increase of 112 per cent, because, you see, he brings his farm machinery in on one of those single factor joint through international rates.

Those are rates in which the railways divide the revenue. On those rates, it is joint; they are single factor general through rates. They are the rates which get the American increases—they get no Canadian increases. I put it to you there are the two farmers. I put that to you when you talk about distortion in the freight rate structure. A pipe mill in Edmonton has to pay a freight rate of \$1.81 on the coiled steel which it has to buy to make pipe, and a mill at Port Mann in British Columbia pays 95 cents from the same steel mill then when the railways go before the board for a freight rate increase—and Edmonton has to pay 17 per cent on top of its rate, while the mill in Port Mann pays zero increase because it has an agreed charge, I call that a distortion in the freight rate structure. Yet Mr. Magee says it is just emotional, that there is no distortion in the freight rate structure.

This distortion extends even into the province of Saskatchewan—I find that on the same coiled steel for the mill in Regina they have to pay \$1.81 as against the 95 cents which is paid to the west coast. I am only stating that now because I want to rebut the statement made that there was no real distortion, only an alleged distortion in the freight rate structure.

I say that to my friend Mr. Magee instead of coming before this committee and asking to have this bill not reported out, because that is the point of it as far as I am concerned I learned a long time ago never to underestimate your opponent, no matter how much you think there is little substance in his case, because you are not the judge. That is why I thought I should say what I had to say however little it might convince you.

I say that instead of Mr. Magee's endeavouring to put up the average revenue per ton mile against the impact of this 157 per cent freight rate increase, he should be worrying about agreed charges. That is the serious situation in so far as the trucking industry is concerned.

On March 31 of this year there were 626 agreed charges in effect. I give you this to indicate the speed at which they are climbing. On April 15, just two weeks later, there were 642 agreed charges in effect. They are coming into the board's office at the rate of two per day.

In 1955 a royal commission sat to consider the subject of agreed charges. You will be surprised to know that that royal commission recommended that the board's control over agreed charges be almost completely removed. I do not know whether you realize it, but the board now has virtually no control at all over agreed charges. They are just a rubber stamp. They did have control but the railways objected before the Royal Commission on Agreed Charges, so now there is no control over them. That is one thing which has speeded up these agreed charges.

There is another thing which affects Alberta and Saskatchewan more particularly. The same royal commission recommended that something we had in the railway structure for some time, the one and one third rule, should not apply to agreed charges. It was simply an exception of agreed charges.

We know what the situation is with coiled steel going into Port Mann for 95 cents and into Edmonton for \$1.81. If they did not do that through an agreed charge they could not charge us more than 95 cents plus one third and bear in mind that it is 700 miles less of a haul. There is a lot more I could say about it, but I shall rest at this point and rely on what Mr. Mauro and Mr. Mann have said. But before I sit down I must take a few minutes to say something about coal, because my friend Mr. Blair came before the committee by way of appeal from the last judgment of the board.

The first thing I want to say about Mr. Blair and his clients, the Estevan operators, is that they could have appealed to the cabinet.

When we were there protesting against the distortion in the freight rate structure and they could have had a complete reappraisal of the situation.

Mr. Blair's strip-miners in Estevan could have been there and could have protested against the board's refusal to continue the B.T.U. differential which we enjoyed for some time. We, in Alberta, enjoyed the differential of one and a third for a time and then lost it. And those people lost the differential when the board changed its mind—and properly changed its mind, in our opinion—because as far as we are concerned in Alberta, we do not think lignite coal should get any preferential treatment over our coal, particularly when we have lots of cheap coal, and sub-bituminous coal.

Mr. Blair talks about coal worth \$2 a ton at the mine-mouth in Estevan. I can show him so much coal in the Drumheller Valley for \$1 that it will be coming out of his ears. That is one reason why I submit, with great respect, this committee should reject Mr. Blair's submission. The next reason is that the board has just completed its hearing on equalization of freight rates on coal, which they are required to do by the national freight rates policy laid down in the 1951 amendments to the Railway Act, and I think we might well wait to see what the board brings out of that deliberation.

The next thing, and perhaps the most important thing I want to say is that the place for Mr. Blair to go, if he says there is a need,—and I was quite interested in what the minister said yesterday about the need of various segments of the industry—for special consideration is, in my opinion, the Dominion Coal Board. That is what the Dominion Coal Board is there for. When the maritime coal operators want to get into the Toronto market, they go to the dominion coal board and get relief; and if what I see in the newspapers is true, they have been getting quite a bit of relief lately. And when we want to get into Japan, we go to the dominion coal board; and it is to the credit of the dominion coal board—well, it is not to their credit, really; it is to the credit of the government of Canada—that we got the subvention on coal to Japan increased from \$4 to \$4.50. That is going to help a great deal. So if Mr. Blair thinks his clients need something more, I say, with great respect, let us not dilute this small amount of \$20 million, and let him go to the dominion coal board and get something from them.

Mr. Chairman, you have borne with me quite long enough. I had a shorter time than my friends, but in view of the very good presentations they made, I think I have said enough. As far as the province of Alberta is concerned, I ask you to report the bill without any amendments.

The VICE-CHAIRMAN: Thank you very much, Mr. Frawley. I am sorry to say, gentlemen, that we will not be able to get the bill through tonight. We hoped to get the bill through this evening, but we have lost a quorum. So we will have to meet tomorrow morning at 9 o'clock in room 356S. Perhaps we will be able to begin at 9 o'clock sharp.

Mr. HORNER (Acadia): What room was that, again?

The VICE-CHAIRMAN: 356S; it is up in the Senate.

The committee adjourned.

STATEMENT 1

APPENDIX "A"

TABULATION OF INTRA-TERRITORIAL MOVEMENTS SHOWING BY REVENUE AND TONNAGE
THE PERCENTAGE RELATIONSHIP OF EACH TYPE OF RATE TO THE TOTAL MOVEMENT
WITHIN EACH RATE TERRITORY

Rate Territory	Type of Rate	Percentage Relationship to Total Movement Within Territory	
		Revenue	Tonnage
Within Maritime.....	Non-Competitive.....	69.05	72.20
" Eastern.....	"	54.48	49.85
" Western.....	"	50.05	38.83
" Maritime.....	Competitive.....	29.14	26.39
" Eastern.....	"	34.08	40.15
" Western.....	"	8.40	11.27
" Maritime.....	Agreed Charge.....	1.81	1.41
" Eastern.....	"	10.44	10.00
" Western.....	"	10.46	7.77
" Western.....	Statutory.....	31.09	42.13
" Maritime.....	Competitive and Agreed Charge	30.95	27.80
" Eastern.....	Competitive and Agreed Charge	44.52	50.15
" Western.....	Competitive and Agreed Charge and Statutory.....	49.95	61.17

NOTE: Exclusive of US Related Traffic and Traffic Rated as "Mixed Shipments"

SOURCE: The Board of Transport Commissioners of Canada, Waybill Analysis, 1957
Maritimes Transportation Commission November, 1958

STATEMENT 2

TABULATION OF MOVEMENTS FROM ONE RATE TERRITORY TO OTHER RATE TERRITORIES
SHOWING BY REVENUE AND TONNAGE THE PERCENTAGE RELATIONSHIP OF EACH TYPE OF
RATE TO THE TOTAL MOVEMENT FROM THAT TERRITORY

Rate Territory	Type of Rate	Percentage Relationship to Total Movement from Territory	
		Revenue	Tonnage
From Maritime.....	Non-Competitive.....	69.72	71.36
" Eastern.....	"	57.64	70.79
" Western.....	"	53.17	54.07
" Maritime.....	Competitive.....	11.19	12.47
" Eastern.....	"	18.30	15.85
" Western.....	"	43.92	43.59
" Maritime.....	Agreed Charge.....	19.08	16.17
" Eastern.....	"	24.06	13.36
" Western.....	"	2.91	2.33
" Maritime.....	Competitive and Agreed Charge	30.17	28.64
" Eastern.....	Competitive and Agreed Charge	42.36	29.21
" Western.....	Competitive and Agreed Charge	46.83	45.82

NOTE: Exclusive of US Related Traffic and Traffic Rated as "Mixed Shipments"

SOURCE: The Board of Transport Commissioners of Canada, Waybill Analysis, 1957
Maritimes Transportation Commission November, 1958

STATEMENT 3

TABULATION OF MOVEMENTS INTO ONE RATE TERRITORY FROM OTHER RATE TERRITORIES
SHOWING BY REVENUE AND TONNAGE THE PERCENTAGE RELATIONSHIP OF EACH TYPE OF
RATE TO THE TOTAL MOVEMENT INTO THAT TERRITORY

Rate Territory	Type of Rate	Percentage Relationship to Total Movement into Territory	
		Revenue %	Tonnage %
Into Maritime.....	Non-Competitive.....	78.98	86.71
" Eastern.....	"	56.75	63.66
" Western.....	"	50.36	51.12
" Maritime.....	Competitive.....	19.11	10.71
" Eastern.....	"	35.98	26.06
" Western.....	"	18.22	19.20
" Maritime.....	Agreed Charge.....	1.91	2.58
" Eastern.....	"	7.27	10.28
" Western.....	"	31.42	29.68
" Maritime.....	Competitive and Agreed Charge	21.02	13.29
" Eastern.....	Competitive and Agreed Charge	43.25	36.34
" Western.....	Competitive and Agreed Charge	49.64	48.88

NOTE: Exclusive of US Related Traffic and Traffic Rated as "Mixed Shipments"

SOURCE: The Board of Transport Commissioners of Canada, Waybill Analysis, 1957

Maritimes Transportation Commission November, 1958

APPENDIX "B"

NET TON MILES PER HEAD OF POPULATION BY PROVINCE PRODUCED BY THE
TRUCKING INDUSTRY IN 1957

(Figures in brackets denote rank among Provinces)

TYPE OF TRUCKING

Province	For Hire	Private Intercity	Farm
Newfoundland.....	25 (10)	28 (10)	1 (10)
Prince Edward Island.....	94 (8)	75 (8)	458 (1)
Nova Scotia.....	150 (6)	146 (6)	151 (2)
New Brunswick.....	86 (9)	266 (1)	103 (5)
Quebec.....	216 (5)	223 (3)	86 (7 & 8)
Ontario.....	381 (2)	265 (2)	122 (4)
Manitoba.....	137 (7)	48 (9)	41 (9)
Saskatchewan.....	264 (4)	168 (4 & 5)	134 (3)
Alberta.....	600 (1)	108 (7)	86 (7 & 8)
British Columbia.....	276 (3)	168 (4 & 5)	92 (6)

SOURCE: D.B.S. 1956 Census Figures

D.B.S. Motor Transport Traffic Statistics, National Estimates 1957

PREPARED BY: Maritime Transportation Commission
April 15, 1959.

EVIDENCE

THURSDAY, April 17, 1959.
9:00 a.m.

The VICE-CHAIRMAN (Mr. Howe): Gentlemen, it is nice to get away to a good start this morning. We are still on clause 1 of Bill C-38. We pretty well finished with the witnesses last night. However, there was one question that Mr. Charnock asked of Mr. Magee, that he wanted to have answered. I will ask Mr. Magee to reply to that question.

Mr. John MAGEE (*Executive Secretary, Canadian Trucking Associations*): Mr. Chairman, and hon. members of the committee. The question asked, I believe, was, are truck rates based on costs.

For the trucking industry, just like other businesses, costs are the most important ingredient of rate-making. No trucker could afford for long to move freight at rates lower than his costs. Individual trucking enterprises which are by their very nature smaller than nearly all railway undertakings, have to and do pay the closest attention to their costs on particular hauls and operations, and will try to quote rates which will give them a reasonable return over and above their particular costs.

In costs they would include both capital costs, such as depreciation and interest, as well as their out-of-pocket expenses.

While costs thus defined will set the minimum limit for rates, the ordinary free enterprise criteria of competition, changes in equipment, changes in method and attractiveness of and frequency of service will enter into the actual rate-making. Foremost among these influences are, of course, the rates of our main competitors, the railways. Trucking firms will have to charge within the rate pattern set by their formidable rivals and will attempt to be truly competitive by any means open to them.

This adaptation to railway rates predominantly takes the form of increasing efficiency, cutting down operating costs, increasing payloads and generally adopting better methods.

In brief, then, we have a constant and continuing relationship between costs of the trucking firm, railway rates and improvements in technological and operating efficiency of the motor carrier.

The VICE-CHAIRMAN: Thank you Mr. Magee.

We are now down to the bill. Gentlemen, shall clause 1 carry?

Clauses 1 and 2 agreed to.

On clause 3—revision of rates.

Mr. CHEVRIER: Mr. Chairman, on subclause (1) I would like to move that the words "increased by seventeen per cent" in lines 18 and 19 be struck out. The object of that motion is to allow the application of the subsidy to those rates which have not been increased by the full 17 per cent. It is in lines 18 and 19; the words after 96300 "increased by seventeen per cent" be struck out so that the application of subclause (1) would go to all rates that have been increased by any amount up to 17 per cent.

Mr. HORNER: (*Jasper-Edson*): Mr. Chairman, I oppose this motion on the ground that it is going to increase the discrimination against both eastern and western Canada.

Mr. BELL (*Saint John-Albert*): Mr. Chairman, I just want to say that we feel, I think, in the maritime region—this is my own personal view and Mr.

Mann made the point very clearly—that there was this 17 per cent horizontal increase and the present legislation lets this down in the same horizontal way. We feel satisfied with the legislation the way it is. We therefore oppose this motion of Mr. Chevrier's.

Mr. HORNER (Acadia): Mr. Chairman, I also oppose the amendment, because in striking out those words it would mean, to my belief, that the 7 per cent reduction would go on rates that were already reduced from 17 per cent due to competition; then the truckers and the other forms of competition would have a bigger beef, shall I say, against this act. I think it is better the way it is.

Mr. DRYSDALE: Mr. Chairman, I think I would be opposed to Mr. Chevrier's resolution on the basis of the explanation we have been given by the commissioners and by the minister, that the intention was to benefit only those rates which had been increased to and were maintained at the 17 per cent. To make this alteration would defeat what the intention of the bill was.

The VICE-CHAIRMAN: We have a motion by Mr. Chevrier. Have we a seconder?

Mr. BADANAI: I will second it.

Mr. CHEVRIER: May I just answer this question of discrimination? I think that on the contrary this makes the impact of the horizontal rates less aggravating to the increase on horizontal rates, and that is the purpose of making it, so that all the rates that have been increased will also be decreased. I do not think it can be said that it extends the application of the discrimination because of the horizontal rate increases.

Mr. HORNER (Acadia): Mr. Mann in his testimony yesterday showed that as far as the eastern area and the central area were concerned, the central area had had a much higher percentage of decreases in the 17 per cent than the eastern area, and I very strongly suggest, the western area. That is the basis of my suggestion, that it would amount to discrimination.

The VICE-CHAIRMAN: We have a motion by Mr. Chevrier, seconded by Mr. Badanai that the words "increased by 17 per cent" in lines 18 and 19 of clause 3 (1) be struck out. Those in favour of the motion? Those opposed to the motion?

Motion negatived.

Mr. McPHILLIPS: Mr. Chairman, in regard to subclause (2) of clause 3, in the fourth line there appear these words, "and the traffic in respect of..." Now, none of the witnesses, of course, had anything to say about this, but what is the effect of that? Does that give the board the further power to pick and choose as between what type of traffic is going to be relieved?

Mr. CHEVRIER: We have not got rid of (1) yet.

Mr. L. J. KNOWLES (*Commissioner, Board of Transport Commissioners*): That clause simply ties it up to the first clause with regard to the reduction in class and commodity rates.

Mr. McPHILLIPS: But that does not really answer the question. We understand it is class and commodity rates; but do those words in effect give the board the right to pick and choose in that area of class and commodity rates as between one type of traffic and another? Can they relieve one type and let another type take the full shot?

Mr. KNOWLES: Well, as far as I am concerned I pretty well understand it and I know the direction contained in the first clause "the board shall" do so and so, and that is to order a reduction in the rates that were increased 17 per cent, all rates that were increased 17 per cent, all normal class and commodity rates.

Mr. McPHILLIPS: Yes, but this subclause (2) goes on and says what you may do in your order. It says:

In any order made by the board under this section the board shall specify the manner in which rates shall be revised and the period, not exceeding one year, during which and the traffic in respect of which the revised rates shall be applicable.

Would that not give you the power to prefer one type of traffic over another?

Mr. KNOWLES: I do not think so. It simply confirms what we are trying to do in subclause (1).

Mr. McPHILLIPS: In other words, "and the traffic in respect of which" could come out and it would not alter it?

Mr. KNOWLES: Well, I am not a lawyer, but I would think that those words simply confirm what is in subclause (1); and if you want to take them out I do not think it will make any difference. The Department of Justice drafted these clauses and it would take a lawyer to say whether we should do this, that or the other, under this act. I know if I had to sign this order I would know exactly what I was doing. I will not pick or choose at all. I will put the reduction on the class and commodity rates that were increased 17 per cent.

Mr. DRYSDALE: Mr. Chairman, I think in subclause (1), about the third line, it says:

Forthwith upon the coming into force of this act, the board shall by order require the companies to revise such of their class rates and commodity rates...

I think that would come in with Mr. McPhillips' interpretation of these class and commodity rates which take that 17 per cent reduction, and I think subclause (2) would be all right.

Mr. McPHILLIPS: You see, Mr. Chairman, when the word "traffic" is used it indicates distinctly a particular type of freight carriage. Mr. Knowles says he is not a lawyer; I am a lawyer, which makes me a little leery of these words. It could well be that with these words in there the board could say, "Well, out of these various types of traffic they all will not be 17 per cent, but we will decrease this particular traffic, marine paint," or something else, and leave the doors wide open for them to pick and choose.

Mr. CROUSE: Is not that picking and choosing limited because in line 4 of subclause (1) it says:

Rates in effect at the commencement of this Act

Does that not limit the powers of the board?

Mr. McPHILLIPS: That is the whole field of the 17 per cent but when you come to subclause (2) and narrow it down, then can they prefer one type of freight carriage against another, both of which have taken the 17 per cent?

The VICE CHAIRMAN: It is too bad we have not somebody from the Department of Transport here. If we had one of the lawyers here who drew this up, he might be able to explain why this clause was put in, "traffic in respect of which". What do you feel about that, Mr. Knowles?

Mr. KNOWLES: I think if the committee has any doubt about it, they should have a legal opinion on it. I am not a lawyer but that was drafted, I think, by the assistant deputy minister of Justice.

Mr. CHEVRIER: If I can be of any use on this—I think the practice is to have a legislative committee of the cabinet deal first of all with the bill and then it goes to Justice. While I am not commenting either one way or the other

on it, I would think Justice have gone into the wording of that very carefully, so that it carries out in its second part what is in the first part. I think it is just to describe more clearly what the form of the order shall be.

If I understand it, the order is all ready and raring to go. Am I right in that?

Mr. KNOWLES: I beg your pardon?

Mr. CHEVRIER: If I understand it the order is ready to be filed at any moment.

Mr. KNOWLES: No, it is not, Mr. Chevrier. The chief commissioner has asked everybody who has anything to do with this to suggest a draft of the order. I have three drafts now and it is up to the board, the whole six of us, to determine whether this one is right or that one, or whether we will use a combination of all three.

Mr. BELL (*Saint John-Albert*): Mr. Chairman, would it be in order for us to express a sort of worry over this in a legal way and still report the bill back to the house, if there are no other amendments. At that stage, then, the legal officers of the Department of Transport could have a second look at it and Mr. McPhillips, if he wishes to, can consult them personally. There still would be time, when it does get into the house, to change that wording, if it is felt necessary.

Mr. CHEVRIER: Mr. Chairman, I think if there is any doubt in the minds of the committee the thing to do is to stand the clause and get some advice.

Mr. BELL (*Saint John-Albert*): We are not actually in doubt on it; we are just wondering.

Mr. CREAGHAN: Mr. Chairman, in that subclause (2) it is in my mind—and I think Mr. Chevrier agrees with me—that this certainly would be referring to subclause (1) of clause 3 where it says, "traffic in respect of which the revised rates shall be applicable" and on which the 17 per cent applies in effect at the commencement of the act. Perhaps they wanted to get it into two pages, I do not know what was behind it. However, it does not in any way hurt the purpose of the bill and it just repeats that the revision shall apply only to the 17 per cent mentioned in the first part of the section.

Mr. BROWNE (*Vancouver-Kingsway*): Mr. Chairman, I think it will have a great deal of effect on the section. I would like personally to be sure that this would apply to each and every rate that has been increased by 17 per cent.

Mr. CHEVRIER: That is covered by the words "increased by seventeen per cent".

Mr. BROWNE (*Vancouver-Kingsway*): But in taking the two subclauses in conjunction, there is no clear stipulation at all that rates increased by 17 per cent have to be decreased.

Mr. R. KERR (*Chief Commissioner, Board of Transport Commissioners*): If I may say a word I agree completely with what Mr. Chevrier and Mr. Creaghan have said. In my view I am not giving any ruling here in reference to the board but in my view the marginal note to subclause (2) indicates that it is as to the form of the order.

Our view is that it only goes to the form of the order and certainly if you wish any assurance from the members of the board who are here, there is no intention whatsoever to pick and choose traffic that will receive the reduction. The traffic that will receive the reduction is specified in subclause (1).

Mr. McPHILLIPS: Mr. Knowles, in answer to my question, pointed out that those words in effect were surplusage, that they would not choose between traffic and that subclause (2) could be operable without them, so I am going to move that the words—

Mr. CHEVRIER: Before you do that, we have not disposed of (1) and I have another amendment to make to (1). You are discussing (2).

Mr. McPHILLIPS: The chairman permitted me to do it. What is your argument?

Mr. CHEVRIER: I tried to interrupt you but you were going so fast, I did not succeed. I said you were on (2) but I am still on (1).

The VICE CHAIRMAN: I do not think it has been the custom in the past to go through the bill item by item, in the clauses. However, we will listen to you, Mr. Chevrier.

Mr. CHEVRIER: I have another amendment to make at the end of 3(1), to add the words:

Provided the reduction thereby effected shall not be less than seven per cent.

That is the point I made earlier. I thought that over and above the guarantee of the \$20 million subsidy there should also be the assurance that the reduction should not be less than seven per cent.

The VICE CHAIRMAN: Would you write that out, Mr. Chevrier?

While Mr. Chevrier is writing that out, I might say, gentlemen, that the secretary has gone to get in touch with the Department of Transport to see if he can get some legal party from that department, to come over and clarify the clause that you are in doubt about. We can stand this clause until such time as we know if anyone will be here.

Mr. BELL (Saint John-Albert): I wonder if we could have an expression of opinion from Mr. Knowles about this? I take it that it would mean that the money would not last a full year and would probably expire earlier.

Mr. KNOWLES: If there is an increase in the traffic on which the reduction will be made, probably we will use up the money in 7, 8, 9, 10 or 11 months, if you put any specific amount on it.

Mr. HORNER (Jasper-Edson): It is contradictory to the foregoing part of the subclause, in my opinion.

Mr. DRYSDALE: Could you read the amendment again, Mr. Chairman?

The VICE CHAIRMAN: Yes. Have you a seconder to this motion, Mr. Chevrier?

Mr. BADANAI: I will second it.

The VICE CHAIRMAN:

Moved by Mr. Chevrier and seconded by Mr. Badanai "That at the end of clause 3, subclause (1) the following words be added; "Provided the reductions thereby effected shall not be less than seven per cent" "

Mr. DRYSDALE: So that the \$20 million is still in?

The VICE CHAIRMAN: Yes.

Mr. CROUSE: Mr. Chairman, the application of this would mean that if the money ran out in ten months, if the \$20 million were used up in ten months, it would automatically mean at that period for the balance of the year, an increase of seven per cent to the shippers, whereas if this resolution was not applied the total reduction for a twelve-month period might be six per cent but it would be spread out and be more extended.

With that interpretation I would be opposed to the motion moved by Mr. Chevrier.

Mr. CHEVRIER: That is, if that interpretation is correct. What I say in answer to that is this, that that argument applies equally to the subclause that was amended.

Mr. CREAGHAN: No, because the board has assured us that this percentage which is an estimate will fluctuate quite a bit, depending on the traffic. I can visualize some very small shipper—who might only send one parcel to some relative in the nine or ten months—might not get any reduction, and those are the people we want to benefit, the people who might send a chesterfield or chair from one family to another. That person will probably get no benefit at all because the money obviously would run out, if it were confined to a seven per cent discount.

Mr. CHEVRIER: What happens if the traffic increases as Mr. Knowles has suggested, and the \$20 million runs out and it is equivalent to five per cent?

Mr. CREAGHAN: The \$20 million cannot run out because they intend to prorate it on a percentage basis which will vary, if traffic justifies proration down to $5\frac{1}{2}$ or 6 per cent, depending on the traffic.

We had evidence from an office of the Canadian Pacific Railway that many of the shippers put the 17 per cent on, and then it is reduced; so these people are automatically out now. It could be if we leave it the way it is, and not put any specific amount of percentage, that instead of getting seven per cent as you are suggesting, many hundreds of thousands of small shippers might get seven per cent or eight per cent, the way it reads now.

Mr. BELL (Saint John-Albert): Mr. Chairman, this Bill is set out in a certain way and we have studied for the last three days the effect of it. We were told by Mr. Knowles particularly yesterday the reason why it was recommended in this form, and the reason why certain figures were chosen. I feel that to change this now will merely affect the desired result that we have been assured will come into being. It would go to the principle of the bill and could very easily discriminate against a certain area if this change were made. I do not say that we can assess the way it would be unfavourable to a region, but I do say that a particular bulge in the traffic in a certain area could cause discrimination against another area. That, to my mind, would be against the principle of the bill, and I am afraid I would be opposed to this amendment.

The VICE CHAIRMAN: We have a motion, gentlemen, by Mr. Chevrier and seconded by Mr. Badanai. Shall I read it again? "That at the end of clause 3, subclause (1), the following words be added: "Provided the reductions thereby effected shall not be less than 7 per cent." Those in favour of the motion will please signify. Those opposed?

Motion negatived.

The VICE CHAIRMAN: Is it agreed that we let clause 3 stand until we get some information?

Mr. DRYSDALE: I agree, yes.

On clause 4—Payments out of C.R.F.

Agreed to.

On Clause 5—Limit.

Agreed to.

On clause 6—Powers of board.

Agreed to.

On clause 7—Maritime freight rates.

Mr. BELL (Saint John-Albert): Mr. Chairman, on clause 7 I wonder if for the record we could ask Mr. Mann, without going into the Maritime Freight Rates Act, if he is satisfied that this will have the desired effect as far as the purposes of the Maritime Freight Rates Act are concerned? Do you feel satisfied there would not be any difficulty with this amendment?

Mr. HOWARD MANN (*Manager, Maritime Transportation Commission*): Mr. Chairman, if I may answer the question, I think an amendment is necessary to allow the board to do a certain thing under the Maritime Freight Rates Act

in pursuance of section 3, subsection (2), subparagraph (b) of the Maritime Freight Rates Act. I think the members of the board will agree that that was necessary to be placed in this bill in order to enable the board to do this thing.

Mr. CHEVRIER: Well, it is so there will be no conflict between the Railway Act and this act?

Mr. MANN: That is right.

Clause 7 agreed to.

Title agreed to.

The VICE CHAIRMAN: Well, we will have to recess for a few minutes until these people from the Department of Transport come up.

Mr. CHEVRIER: Why can we not apply to this section the same very potent argument just used by my friend Mr. Bell, that because great consideration has been given to this, the section must be all right?

The VICE CHAIRMAN: Is that agreeable to you, Mr. McPhillips?

Mr. McPHILLIPS: No.

Mr. CHEVRIER: If it applies in one instance it should apply in the other.

Mr. BELL (Saint John-Albert): I am almost inclined to agree with Mr. Chevrier.

Mr. CHEVRIER: Well, if you will allow me, I think I am going to ask to be excused.

The VICE CHAIRMAN: We will have a recess, gentlemen.

—(Recess)

The VICE CHAIRMAN: All right, gentlemen, we are ready to go again. I see Mr. Scott from the Department of Transport has arrived, so probably you can ask Mr. Scott the question that related to that phrase in clause 3, subclause (2), Mr. McPhillips.

Mr. McPHILLIPS: In the fourth line of subclause (2) of clause 3 we find the words "and the traffic in respect of which." Now, perhaps I had better read the whole section:

(2) In any order made by the board under this section the board shall specify the manner in which the rates shall be revised and the period, not exceeding one year, during which and the traffic in respect of which the revised rates shall be applicable.

In subclause (1) the board's function is given, which extends to class and commodity rates which come into force at the commencement of the act and which have taken the 17 per cent. It is my belief that this was the intention; but now when you get down to the operative part of the order the words "and the traffic in respect of which," that seems to indicate that in that broad field the board could pick and choose as between which class and commodity rates bearing the 17 per cent would be reduced.

Mr. G. A. SCOTT (Director, Economic Policy, Department of Transport): Certainly it was not drafted with any thought that that could be done. Actually it refers, I think, to the part in subclause (1) of clause 3, which refers to that traffic which received the 17 per cent increase.

Mr. McPHILLIPS: But that has already been said, and subclause (1) does not use the word "traffic." I understand in railway parlance when you start talking about "traffic" you are dividing up a general field and under "traffic" you might have, say, a huge traffic in mixed biscuits or marine paint or anything, and if that stays in there, has the board the right to pick and choose?

Mr. SCOTT: I do not think so, no. Actually, while subclause (1) refers to the increase of 17 per cent, that is the only way in which you can state the traffic which would be subject to a reduction. The traffic which received the

17 per cent increase, this classifies it, but this part here in subclause (2) actually refers to the traffic which moves under these two types of rates.

Mr. McPHILLIPS: It is clear here you have more or less the same view as Mr. Knowles expressed. As I understand, in the final analysis these words "and the traffic in respect of which" are not necessary. They do not add anything to the powers; he says they would never dream of doing this. I do not like to put words in a statute which mean nothing. If they are superfluous they should be taken out because they could cause mischief.

The VICE CHAIRMAN: Mr. McPhillips, Mr. Knowles has indicated that as far as the Board of Transport Commissioners is concerned, that clause could be deleted, and they do not think it will have any effect on the operation of the act.

Mr. McPHILLIPS: I do not think it would at all. In fact, without it, it would say exactly what we think the intent is.

Mr. SCOTT: I think Mr. McPhillips would like to delete the words "and the traffic in respect of which".

The VICE CHAIRMAN: That is right.

Mr. SCOTT: That would be acceptable to us.

Mr. BELL (*Saint John-Albert*): Mr. Chairman, Mr. Chevrier is not here but I made a suggestion earlier which I think is in order, and I am sure it has been done before in committees, that is, that we refer this section back to the legal officers to make certain that we are not going to make a deletion here which is going to be troublesome from the form of the order, or for any other particular reason. There would be plenty of time to make a motion in the house when this bill is reported back from committee. Mr. McPhillips could watch it personally and if he is not satisfied, he could make the amendment himself.

Mr. McPHILLIPS: That is true.

The VICE CHAIRMAN: Is that agreeable to you, Mr. McPhillips?

Mr. CHOWN: I think that is the wise course.

Mr. McPHILLIPS: That could be done and in the meantime the draftsman of the statute could consider it.

Mr. BELL (*Saint John-Albert*): In that same connection I wonder if I could ask a question relating to what Mr. McPhillips raised? This is a very important point. We said in discussion yesterday that there were a great many of the rates that had initially received the 17 per cent increase but were reclassified to competitive rates. Therefore, the increase did not take effect any more than just momentarily.

Is there any possible way that the railways could change, reduce—I do not want to use the word "reduce"—but classify back to class and commodity rates, those rates that they made competitive, and thus take advantage of this legislation which they may have avoided?

Mr. SCOTT: I really do not know what the railways can do. There would actually be thousands of possibilities and it is true if they looked at one possibility one way, they might see by reclassification actually that with trying the lower rate, they might get a higher revenue in the other class. Whether or not they would do this, I do not know.

The point really is, I think,—and this is probably a great deal oversimplified—that under the non-competitive class or commodity rates, this will not be 17 per cent. In any event the railways raised the maximum ceiling to the 17 per cent level. If they found that the traffic did not move on the commodity rates or class rates for that matter, they would put in a competitive rate. They would leave the other rate in. They would not withdraw the ones that went up to 17 per cent.

If they found that the traffic with the assistance given here on the non-competitive rates, would move the traffic, they could withdraw the other rate and you would be back to where the 17 per cent originally applied and these rates will be getting the seven per cent assistance. I do not think you can speak realistically in the case of one class of shipment.

Mr. DRYSDALE: In essence have they got two rates in effect at the same time?

Mr. SCOTT: Yes.

Mr. DRYSDALE: The maximum rate which they just leave on, and then this other rate?

Mr. SCOTT: Yes.

Mr. DRYSDALE: Then on this 17 per cent increase, no matter how far they reduced it, it would be entitled under this section?

Mr. SCOTT: For any traffic that moves on those rates.

Mr. CREAGHAN: What about in the case of an agreed charge, do they lose their non-competitive rate then?

Mr. SCOTT: The agreed charge rates are a competitive form of rate. They are really a type of contract. Regardless of the fact that those rates would be in effect there are usually other higher rates, but the traffic does not move on them.

Mr. KENNEDY: Is it not a fact that when the railways reduce their rates by 17 per cent or any amount, they become automatically competitive rates?

Mr. SCOTT: If the railways found under their normal class rates that some traffic would not move, they would extract this and make a competitive rate. Therefore, you would have a competitive rate lower than the normal rate for a particular movement. This is the rate that would be used for that traffic, but you would still have the normal ceiling rate left there. It could happen that no traffic moves on that rate but as soon as you withdraw the lower rate, everything must go back to the higher rate.

Mr. DRYSDALE: How long does it take to withdraw lower rates—three days? Mr. Roberts testified, as I understand, that if they had taken the 17 per cent rate and reduced it to a lower rate, to this competitive rate, then to get that competitive rate, I suggest, to get the advantage of this legislation, perhaps he could raise it and he said...

Mr. SCOTT: Thirty days, I think.

Mr. DRYSDALE: Yes, he said it would be 30 days to get it back up. If you say there are two rates in existence at the same time, I understand there is a period of three days, so what they would have to do is cancel the lower rate and the initial one would automatically go into effect?

Mr. SCOTT: Three days for reduction, I believe.

Mr. DRYSDALE: How many days for cancellation?

Mr. A. S. KIRK (*Director of Traffic, Board of Transport Commissioners*): We provide in our tariff rules, when a competitive rate may be established. We are being importuned to establish the same rule to increase the competitive rate. At the moment it is not anything more than 30 days unless we grant relief from that rule—we are considering that now.

Mr. DRYSDALE: It is not actually an increase, it is merely a cancellation because you have in essence the two rates in effect.

Mr. KIRK: Actually when a competitive rate is cancelled, it is an increase in rate.

Mr. DRYSDALE: Yes, I realize that is the effect, that is what is happening, but actually when you have two rates in effect, what do you have to do to cancel one?

Mr. KIRK: The question of two rates being in effect goes into the tariff structure, of course. For example, if you were to modify a class rate then you cannot tear the whole class rate tariffs apart and take out the class rate. You may only establish a competitive rate on one shipment whereas you have several hundred class rates. So that the class rates are always there.

Mr. Scott is mainly right when he said what he did about commodity rates. Not in every case are commodity rates left in force after a competitive rate is established, depending entirely on the circumstances. For one reason, a good many competitive rates are published and may have a very limited effective period. They may run for only 30 days and may run for 10 days, may run for the summer and are cancelled in the winter. There are probably thousands of that kind of rate in Canada.

Mr. DRYSDALE: What I am trying to get clear in my own mind is, what if anything, can the railways do to bring back into the 17 per cent category, how much time is required. We had a time quoted by Mr. Roberts of 30 days and I have heard three days.

Mr. KIRK: At the present it is 30 days unless we grant relief from that rule.

Mr. DRYSDALE: It would be within your discretion if you wished, to grant all the increase back up to the 17 per cent so they would come into this act?

Mr. KIRK: Yes.

Mr. DRYSDALE: We have been unable to get any figures as to the average number of people who were affected when the 17 per cent went up and I am trying to ascertain, approximately, how many shippers would be affected by these rates?

Mr. KIRK: It is almost impossible to foresee.

Mr. BELL (*Saint John-Albert*): Mr. Chairman, we had Mr. Knowles' statement that he did not believe that there had been an abnormal amount of movement of rates from the 17 per cent to competitive rates. If we accept that—and I am ready to do it, even though we did have one or two examples in central Canada of it that seemed to be unfair—even if we do accept that, then I suppose there is not any need of worrying about a transfer back because then it would be just a normal course of operation, if we accept the first premise that there was no unnecessary movement in the beginning.

Mr. DRYSDALE: If you do not know what "normal" means, you do not know how extensive any variation is from that.

Mr. BELL (*Saint John-Albert*): We are accepting Mr. Knowles' statement, in a general way, that he said he did not believe there were any abnormal movements made since the 17 per cent increase went on by the railways, in order to give an unfair position.

Mr. DRYSDALE: This relief is being given to shippers and they have no idea whether it could be 100,000, 200,000, 50,000 or 10,000. There is no area in which we, as a committee, can assess what effect it is going to have. The assurance of being normal or abnormal conveys absolutely nothing to me when I have no yardstick by which to measure it.

Mr. BELL (*Saint John-Albert*): If you do not have any yardstick, then you have to be guided by the experts and Mr. Knowles has made this statement.

Mr. DRYSDALE: We are trying to analyse the validity of the legislation and we have been wasting four days on it. They might as well tell us everything is fine and pass it.

Mr. BROWNE (*Vancouver-Kingsway*): Mr. Chairman, I think this is a very important point. We have, I think, been under the impression that for the rates taking the 17 per cent increase and then reduced down to a competitive rate, there would be no way in which the shipper could then benefit under

this subsidy. However, now we are told that there are two rates in existence and if in actual fact one rate is in existence where the rate has been increased by 17 per cent—and assuming it does take 30 days to cancel a competitive rate and that competitive rate is cancelled—in 30 days it goes back to a rate which was in effect before this act was passed, and that might mean that every rate would take the 17 per cent originally then, though it had not been used. The man was under a competitive rate but would still be under the first rate that was in effect at the time of the passage of this act, and would become applicable to the subsidy.

Even if he did not get it for 30 days he would still come under it.

Mr. KNOWLES: As I understand it, the 17 per cent increase has got to stay in effect right up to the time of the passage of this act in order to get the reduction.

You are basing a lot of your remarks on a wrong assumption. For example, supposing a normal rate last year was \$1, it is advanced to \$1.17. The railways find that in order to get that traffic it has to put it down to \$1.13 and this bill comes along and reduces the \$1.17 to \$1.10; the normal rate would then be lower than the competitive rate and the competitive rate is of no effect. The lowest rate is always applied and the competitive rate will be taken out of the tariff sooner or later, if this reduction stays in effect.

Mr. BROWNE (*Vancouver-Kingsway*): In other words, nobody is going to be excluded from this subsidy because of the fact that he was on a competitive rate which was established after the 17 per cent?

Mr. KNOWLES: That is quite right. It does not matter if the normal rate has been reduced by the company and is somewhere between \$1.10 and \$1.17 because the shipper is going to get the benefit of the \$1.10, if this bill is passed.

Mr. BROWNE (*Vancouver-Kingsway*): I think that is quite a different impression from what the committee has had up to now, because Mr. Guest from British Columbia raised this point and certainly my impression all along had been that there would be no way for anybody who was under those circumstances, to benefit by the subsidy. This concept now seems to indicate that he would be able to benefit.

Mr. KNOWLES: That is quite right, yes.

Mr. BELL (*Saint John-Albert*): Are you not saying, Mr. Knowles, that once the reduction was made from the 17 per cent, that you did not see any benefit in reverting back to the 17 per cent category?

Mr. KNOWLES: I do not see any necessity for it, because the normal rate is in the tariff and it will be increased by seven percentage points, and if it is lower than the competitive rate or the agreed charge, or any other rate, it is going to apply.

Mr. CREAGHAN: Mr. Chairman, I have been here off and on for four days and just at this moment I am familiar with the intent of this legislation. I want to ask one other question on the same point. Clause 3, third line in brackets "other than competitive rates"—are those words necessary because we have got merchandise that could be shipped, either on a commodity rate or competitive rate if the change has been made since December 1? On this line which I have just referred to it says in brackets "other than competitive rates".

The solicitor and Mr. Knowles in answer to Mr. Browne indicated to me for the first time in the four days, that if a certain type of shipment became competitive since December 1 last, I understand only this morning that it was getting no assistance and now it can get the seven per cent assistance.

Mr. CHOWN: Or any part thereof.

Mr. CREAGHAN: Yes.

Mr. BELL (*Saint John-Albert*): The word "competitive" refers to class rates according to the information here.

Mr. PHILLIPS: I would like to ask Mr. Mann how this new interpretation would affect his viewpoint of the bill.

Mr. MANN: The one Mr. Creaghan used, in the brackets "other than competitive rates"?

Mr. PHILLIPS: Yes. I agree with the members who have said this is a new interpretation. It was by interpretation that the rates of, say 15 per cent would not benefit from this bill. However, this morning I am told they can. How does that affect your interpretation of the act?

Mr. MANN: I was really addressing myself to the question Mr. Creaghan asked and I think you have in mind something similar to that, whether the words "other than competitive rates" has anything to do with spelling out class rates and commodity rates; and I take it, Mr. Creaghan, it is your suggestion that it is a redundancy.

Mr. CREAGHAN: That is right.

Mr. MANN: I just referred this to Mr. Knowles here a short while ago. I am not sure whether it would come under this, and I do not know that Mr. Knowles is. We have a condition in the summer time, a run to Newfoundland, under Canadian National tariff C-89 which is a class rate tariff essentially but is marked as a competitive tariff. It is a competitive class rate, a rather peculiar animal. I do not know, I am not sure in my mind whether the overriding thing is class rate, commodity rate or whether the over-riding thing is "other than competitive", in this case. I should think that is a very rare border-line case. I would like to have Mr. Knowles' interpretation.

Mr. SCOTT: Mr. Chairman, before Mr. Knowles answers that, I think it was realized by the Department of Justice that there could be cases of the type mentioned by Mr. Mann but these are—and I think the one he mentioned is—a relatively small case so far as the volume of traffic that can move on it. It was thought at the time, without tying the board down too specifically because it would be utterly impossible to cover these specifically in any way, that these would be items that the board could look at when they were given this authority and they could take such cases as Mr. Mann refers to into consideration.

The VICE CHAIRMAN: Shall clause 3 carry?

Agreed.

The VICE CHAIRMAN: Shall I report the bill with the following recommendation: the words "and the traffic in respect of which" appearing in lines 18 and 19 of subclause (1) of clause 3, should be examined to further determine their effect upon the application of the provision of the bill?

Agreed.

The VICE CHAIRMAN: Thank you very much, gentlemen.

—The committee adjourned.

